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99th Congress
2d Session

COMMITTEE PRINT

HOUSE OF REPRESENTATIVES
COMMITTEE ON THE BUDGET

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VIEWS AND ESTIMATES

OF

COMMITTEES OF THE HOUSE

(Together with supplemental and Minority Views)

ON THE

CONGRESSIONAL BUDGET FOR FISCAL YEAR 1987

SUBMITTED PURSUANT TO SECTION 301(d) OF THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974

(Printed for the use of the Committee on the Budget)

FEBRUARY 25, 1986

Serial No. CP-8

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FEBRUARY 25, 1986

Serial No. CP-8

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February 25, 1986

The Honorable William H. Gray, III
Chairman
House Committee on the Budget
214 Annex 1
Washington, D.C. 20515

Dear Mr. Chairman:

In compliance with section 301 of the Congressional Budget Act of 1974, I am transmitting to you the recommendations of the Committee on Agriculture with respect to the fiscal year 1987 budget for the agencies and programs under its jurisdiction.

At this time, the Committee on Agriculture would support a continuation in 1987 of budget authority at the fiscal year 1986 levels for all program funding provided in appropriations bills. Expenditures of the Commodity Credit Corporation, Federal Crop Insurance Corporation, and Farmers Home Administration are recommended at levels consistent with the provisions of the Food Security Act.

The Agriculture Committee recognizes the need to reduce Federal budget deficits and will cooperate with the Budget Committee to achieve the 1987 target deficit of $144 billion.

The Agriculture Committee is the only Committee to have its reconciliation savings for fiscal year 1986 enacted. The remaining savings of 1986 reconciliation legislation are still the subject of conference with the Senate and negotiations with the Administration. It is unclear exactly how much spending will need to be reduced to reach the 1987 target deficit.

Therefore, we cannot recommend specific reductions at this time nor can we endorse any of the proposed reductions contained in the President's budget submission. Indeed, continuing economic stress may require increases in some programs. We cannot propose user fees without sufficient evidence concerning the effect on specific industries, analysis of who would bear the cost of such fees. and consideration of who are the beneficiaries of Government services for which fees would be collected.

The Committee on Agriculture urges the Budget Committee to consider the difficulties besetting the farm economy and to remember that during the conference on the Food Security Act, $11.2 billion in spending reductions over the fiscal year 1986 through 1988 period were made, well beyond the $7.9 billion required.

With warm regards, I am

Sincerely,

E (Kika) de la Garza
Chairman

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February 25, 1986

Honorable William Gray III
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to Section 301(d) of the Congressional Budget and Impoundment Control Act of 1974, as amended, I am transmitting the Appropriations Committee's report on the Views and Estimates of the proposed budget for fiscal year 1987. This report was approved at a meeting of the Committee on Tuesday, February 25, 1986.

Sincerely,

Jamie Whitten
Chairman

[FULL COMMITTEE PRINT]

HOUSE OF REPRESENTATIVES
COMMITTEE ON APPROPRIATIONS
VIEWS AND ESTIMATES

ON THE

BUDGET PROPOSED
FOR FISCAL YEAR 1987

SUBMITTED BY MR. WHITTEN, CHAIRMAN OF THE
COMMITTEE ON APPROPRIATIONS, PURSUANT
TO SECTION 301(d) OF THE CONGRESSIONAL
BUDGET ACT OF 1974

TO THE

COMMITTEE ON THE BUDGET

FEBRUARY 25, 1986

U.S. GOVERNMENT PRINTING OFFICE
57-907 O WASHINGTON : 1986

LETTER OF TRANSMITTAL

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON APPROPRIATIONS,
Washington, DC, February 25, 1986.

Hon. WILLIAM H. GRAY III,
Chairman, Committee on the Budget,
U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: Pursuant to Section 301(d) of the Congressional Budget and Impoundment Control Act of 1974, as amended, I am transmitting the Appropriations Committee's report on the Views and Estimates of the proposed budget for fiscal year 1987. This report was approved at a meeting of the Committee on Tuesday, February 25, 1986.

Sincerely,

JAMIE WHITTEN,
Chairman.

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The Committee on Appropriations submits the following report in compliance with Section 301(d) of the Congressional Budget and Impoundment Control Act of 1974. This section requires that each standing Committee of the House submit to the Committee on the Budget its views and estimates each year regarding matters within their respective jurisdictions to be included in the concurrent resolution on the budget.

THE FISCAL YEAR 1987 APPROPRIATIONS SITUATION

The Committee on Appropriations faces one of the most difficult tasks in its history in regard to this year's budget requests.

The budget proposes major reductions in domestic programs while at the same time proposing large increases in military spending. Cuts in domestic spending total $30 billion in budget authority while proposed increases in military spending total $34.2 billion.

In addition, the Administration calls for rescissions of $9.9 billion and deferrals of $22.9 billion. The budget also proposes the sale of the regional power marketing administrations (Bonneville, Alaska, Southeastern, Southwestern, and Western), the naval petroleum reserves, government owned real estate, and proposes restrictions on the rural electrification administration, housing, and other Federal activities.

Major programs proposed for termination or elimination include the following:

Programs eliminated

[Budget authority]

Agriculture conservation programs	$497,900,000
Rural development programs	2,801,500,000
Farm loan programs	1,220,000,000
Agricultural research and extension	118,805,000
Economic Development Administration	201,000,000
NOAA sea grants and coastal zone management grants	75,000,000
Juvenile justice and delinquency prevention	64,693,000
Legal Services Corporation	305,500,000
Small Business Administration	213,000,000
Appalachian Regional Commission	117,000,000
Export-Import Bank	1,062,300,000
Sub-Saharan African Facility	71,800,000
Urban development action grants	330,000,000
General revenue sharing	4,185,000,000
Indian Health Service facilities	78,585,000
DOE—low income weatherization assistance	182,084,000
Strategic petroleum reserve	446,484,000
Health professions assistance	224,000,000
Impact aid "b" payments	130,000,000
Library assistance	128,000,000
Amtrak	590,000,000
Mass transit discretionary grants	1,000,000,000
Washington Metro construction	217,000,000
Postal Service—revenue foregone	708,000,000

Programs with significant reductions

Rural electrification loans	1,100,000,000
Cooperative extension service	118,000,000
Food stamps	350,300,000
Child nutrition	755,500,000
Department of Energy—Energy Research	721,025,000
HUD—Assisted housing programs	10,566,000,000
HUD—Community development grants	1,000,000,000
VA—Medical care	400,000,000
VA—Construction	200,000,000
EPA—Construction grants	600,000,000
Interior—Land acquisition and construction programs	219,992,000
Jobs Corps	288,000,000
Summer Youth	236,000,000
National Institutes of Health	417,000,000
Rehabilitation and handicapped services	244,000,000
Vocational education	440,000,000
Student financial assistance	1,073,000,000
Public broadcasting support	84,000,000
Mass transit—formula grants	1,000,000,000
Interstate transfer grants	400,000,000
Coast Guard—Construction	130,856,000
Tennessee Valley Authority	99,528,000

If these and other proposed reductions were to be adopted by the Congress, it would weaken the nation's ability to maintain the strong economy essential for public support and a strong defense. In past years, the Congress has not cut military spending; it has only reduced the rapid rate of increase proposed by the Administration. Indeed, appropriations for military spending have gone from $144 billion in FY 1980 to $286 billion in FY 1986. In the Committee's view, a realignment of domestic and military priorities similar to those the Congress has made in prior years will probably be necessary in connection with the fiscal year 1987 budget.

The Committee on Appropriations recognizes that the soundness of our defense, including Department of Defense procurement, our military forces, and related programs, depends upon a healthy domestic economy and public support. To retain these essentials, it is absolutely necessary to protect and develop our physical resources and protect essential domestic programs in order to maintain public support for defense. It is our country and our people on which all else depends. We need a strong defense—but we can never have a strong defense unless it is backed by a strong country—strength that can only come by developing our nation's resources—our real wealth—with an educated, healthy populace, and with adequate food and nutrition flowing from a strong agriculture base.

The Committee points out that even though it has held the line overall for the past five years and has recommended appropriations below the budget request, the debt has increased tremendously. The Committee on Appropriations has acted, and will continue to act, responsibly in regard to the deficit situation. It is mainly other areas, including revenue, that must be addressed by the Congress and the Administration, if the deficit situtation is to be controlled.

Several factors depicted in the President's budget, some of which are outside the jurisdiction of the Committee on Appropriations, will greatly affect our efforts. For example:

—The revenue loss in 1987 due to the 1981 Tax Act will be $244,800,000,000, or more than the entire estimated unified budget deficit. The net revenue loss in 1987 reflecting all changes in recent years will still be more than $150,600,000,000.

—Great attention has focused on the need to reduce the deficit in connection with the fiscal year 1987 budget. The Administration is proposing a deficit figure of $143,600,000,000. However, this figure is based on unrealistically low outlay figures in defense and on drastic domestic spending reductions and policy changes. Many of the proposed policy changes have been transmitted previously to the Congress and have been rejected. These include several different user fee concepts and other legislative proposals not previously acceptable to the people's branch of government.

—While the projected deficits show large declines in future years, the decline in the increase in the national debt is far less—because the deficit numbers ignore trust fund borrowings. Thus, while the deficit figures are $143.6 billion in FY 1987, $93.6 billion in FY 1988, and $67.5 billion in FY 1989; the increase in the gross national debt is $208.6 billion in FY 1987, $188.3 billion in FY 1988, and $175.4 billion in FY 1989—far less impressive decreases.

—Another way of looking at the magnitude of the deficit problem is to examine the increase in the total public debt. When the current Administration took office, the debt subject to limit was $932,288,000,000. By the end of fiscal year 1985 it had virtually doubled to $1,827,500,000,000. By 1987, it will grow to $2,320,630,000,000 and will further increase to $2,508,954,000,000 in 1988.

NATIONAL DEFENSE

(Function 050)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

(In millions of dollars)

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request					
Requiring authorization	234,432	0	98,957	98,957	
Not requiring authorization	83,328	102,828	78,103	180,931	
Subtotal	317,761	102,828	177,060	279,888	294,556
Supplementals (including outlays from 1986 supplemental)	0	0	0	0	0
Proposed legislation and rescissions	3,251	250	3,270	3,020	2,866
Subtotal, appropriation requests	321,011	102,578	180,330	282,908	297,422
Proposed legislation, not through the appropriation process	100	0	100	100	
Permanents, trust funds and revolving funds	11,272	46	11,227	11,273	
Offsetting receipts	−12,043	0	−12,043	−12,043	
President's budget requests	320,340	102,624	179,614	282,238	

Note: May not add due to rounding

FUNCTIONAL DESCRIPTION

This function includes those programs directly related to the common defense and security of the United States. It includes the raising, equipping, and maintaining of armed forces, including civilian supporting activities; and development and utilization of weapons systems, including nuclear weapons.

The function provides direct compensation and benefits paid to active military and civilian personnel; contributions to their retirement, health, and life insurance funds; military retired pay; the conduct of defense research, development, testing, and evaluation; and procurement, construction, stockpiles, and other activities undertaken with the direct objective of fostering our national security. Included are the military activities of the Department of Defense, atomic energy defense activities, and the defense related activities of civilian agencies including the GSA and the Selective Service System.

Excluded from national defense are military assistance programs to other nations since these have become predominantly a foreign aid program; and benefits or compensation to veterans and their dependents since these are provided when the recipient is no longer actively contributing to our national defense. Also excluded are the conduct of foreign relations, foreign economic development and humanitarian assistance, subsidies to business by civilian agencies which may be partially justified as promoting national security, and research and operations of agencies such as space research whose program could result in some significant benefits to our national security.

Committee Views

DEFENSE PROGRAMS

For fiscal year 1986, the President's budget for the National Defense function was $322.2 billion in budget authority and $285.7 billion in outlays. The fiscal year 1986 Budget Resolution allocated $302.5 billion in budget authority and $267.1 billion in outlays for this function for fiscal year 1986. The actual amount appropriated for fiscal year 1986 for the National Defense function was $297.6 billion in budget authority and $266.5 billion in outlays, achieving reductions of $24.6 billion in budget authority and $19.2 in outlays for fiscal year 1986 below the President's budget request. The Gramm-Rudman legislation required additional reductions in fiscal year 1986 below the appropriated amounts. With these additional reductions considered, the amounts which will be available for the National Defense function are as follows: $286.2 billion in budget authority and $261.1 billion in outlays, achieving reductions of $36.0 billion in budget authority and $24.6 in outlays for fiscal year 1986 below the President's budget request.

Of the amounts appropriated for the National Defense function, the annual Department of Defense Appropriation Bill for fiscal year 1986 totalled $281.2 billion in budget authority, a reduction of $22.8 billion below the budget estimate, and $251.3 billion in outlays, a reduction of $12.1 billion below the budget estimate. Again, considering the effects of the Gramm-Rudman legislation, the amounts which will be available for the activities contained in the annual Department of Defense Appropriation Bill in fiscal year 1986 are as follows: $270.6 billion in budget authority, a reduction of $33.4 billion below the budget estimate, and $246.3 billion in outlays, a reduction of $17.1 billion below the budget estimate. Excluded from the above figures are amounts for military construction, family housing and Department of Energy activities dealing mostly with nuclear warhead costs.

The fiscal year 1986 Budget Resolution also assumed National Defense function levels for fiscal year 1987 of $323.4 billion in budget authority and $285.2 billion in budget outlays. The budget estimates submitted for fiscal year 1987 for the National Defense function total $320.3 billion in budget authority and $282.2 billion in outlays.

Within the totals for the National Defense function, the fiscal year 1987 Defense budget estimates for those items included in the annual Department of Defense Appropriation Bill are $299.0 billion in budget authority and $264.8 billion in outlays. Again these amounts exclude military construction, family housing and Department of Energy nuclear warhead costs. These budget estimates represent an increase of $28.4 billion, or 10.5 percent in budget authority over fiscal year 1986 after the Gramm-Rudman reductions are considered.

The annual report of Secretary of Defense Weinberger alludes to a 3 percent increase in real budget authority for fiscal year 1987 but this increase is based on a zero growth total estimated for fiscal year 1986 before the effects of the Gramm-Rudman legislation were taken in account. When the budget authority totals for the Department of Defense are compared, the fiscal year 1987 total represents a 12 percent increase over fiscal year 1986 or about an 8 percent real increase.

The Department of Defense estimates and includes $3.3 billion in their total figures for fiscal year 1987 to cover pay raise costs The budget proposes a military pay raise of 4 percent, effective October 1, 1986 and a civilian pay raise of 3 percent effective January 1, 1987. This $3.3 billion in pay raise contingencies is not reflected in the $299.0 billion Defense Appropriation Bill budget authority request mentioned above.

The Committee has always supported a strong military capability and this support can readily be seen by the level of appropriations made available in the last five fiscal years, which follow:

[In billions]

	Administration requests	Appropriated
Fiscal year		
1981	$167	$171
1982	209	205
1983	250	232
1984	263	251
1985	294	275

The above information makes clear that the Congress in responding to requests of the Administration, has provided a 61 percent increase in Defense appropriations over the fiscal year 1981 level. Including fiscal year 1981, the Congress has appropriated over $1.1 trillion during the past five years for defense activities included within the Defense Appropriation Bill. These figures, of course, do not include appropriations made available for military construction and Department of Energy nuclear warhead programs and other activities.

Defense projections made available by the Administration for the next five years' appropriation request levels for the Department of Defense—Military sub-function follow:

Fiscal year:	*In billions*
1987	$312
1988	332
1989	354
1990	375
1991	396

The above figures reflect an additional 27 percent increase in the defense activities included in the Department of Defense—Military sub-function over the next five years, resulting in total budget authority requests of $1.8 trillion over the five year period (fiscal year 1987-91). The Congress will, of course, have to evaluate these requests and determine if the overall and yearly increases are achievable in light of current and projected economic conditions.

The fiscal year 1987 budget continues the trend, begun in fiscal year 1982, of procurement appropriations surpassing the operation and maintenance appropriations as the largest category in the budget. However, the difference is not as dramatic as in recent years. In fiscal year 1987, procurement is 31 percent of the budget while operation and maintenance is 28 percent of the budget.

The increase in the procurement budget is a modest 3.3 percent over the fiscal year 1986 level after Gramm-Rudman sequestration; however, this increase is in addition to the 26.4 percent increase in fiscal year 1981 over fiscal year 1980, 30.5 percent increase in fiscal year 1982 over fiscal year 1981, the 23.5 percent increase in fiscal year 1983 over fiscal year 1982, the 6.5 percent increase in fiscal year 1984 over fiscal year 1983, and the 12.1 percent increase in fiscal year 1985 over fiscal year 1984. The relatively modest percentage increase in fiscal year 1987 compared to these prior years is largely accounted for by the completion in fiscal year 1986 of the B-1 bomber program, for which more than $5 billion was appropriated last year.

A concern of the procurement growth is the impact it will have on readiness such as maintenance of weapons systems and spare parts support. The operation and maintenance accounts will have to continue to compete for funds with the growing investment accounts in the outyears. As additional weapons systems are fielded and aircraft squadrons are increased, the operation and maintenance accounts will be required to receive increased funding to maintain and man these new systems and squadrons. Some are of the opinion that the operation and maintenance accounts will not receive these necessary increases and systems will be undermanned and not properly maintained.

To exacerbate the affordability and readiness problems even further, proposals will be put forth to "stretch-out" or delay weapons systems procurement. In fact, in the past, the Department of Defense has often times decided to purchase weapons systems at uneconomical production rates stretching out procurement rather than to cancel specific programs. To "stretch-out" or delay programs gains nothing in the way of true savings. By delaying programs, costs are increased due to inflation and due to uneconomic production runs. The system ends up costing the government more money, outyear deficits are further increased and additional funds are required to be pumped into the investment accounts. In order to bring about lasting savings and reduce the outyear deficit amounts, weapons programs must be either cancelled or permanently reduced.

The fiscal year 1987 budget request for research, development, test and evaluation of $41.9 billion is $8.2 billion more than was provided for this purpose in fiscal year 1986, after adjustments for Gramm-Rudman sequestration which is a 24 percent increase over last year. In constant dollars, the fiscal year 1987 RDT&E budget shows a 20 percent real growth over the fiscal year 1986 appropriation, when the Administration's projected defense inflation rate of 4 percent is considered. The RDT&E accounts also compete for funds provided to operation and maintenance and with such large increases requested, readiness accounts will suffer further.

The outlays estimated in the accounts covered in the annual Defense Appropriation Bill total $264.8 billion for fiscal year 1987. Several of the account titles reflect lower outlay rates than were projected in last year's budget documents. The composite percentage total for the operation and maintenance accounts last year indicated that the spend out rate resulting from total available funds would total 77.2 percent in the first year and that spend out rate is now estimated to total 73 percent. The same figures for the research and development accounts result in spend out rates of 49.9 percent estimated last year in the first year as compared to current estimates of 46.6 percent reflected in the fiscal year 1987 budget documents. The Congressional Budget Office indicates that the Defense Department may have underestimated the outlay totals for fiscal year 1987 by as much as $15 billion.

In light of the present budgetary situation, the budget requests for the Department of Defense will most likely be reduced but it would be extremely difficult at this time for the Committee to recommend specific reductions in the Defense budget. The Committee conducts months of detailed hearings each year on the DOD budget and those hearings began on February 18, 1986. Last year, the Committee compiled eight volumes of hearings relating to the fiscal year 1986 defense budget consisting of roughly 8,000 pages of detailed testimony. Until these detailed hearings are completed, specific recommendations concerning the defense budget would be mere speculation. However, the Committee will again look carefully at a large number of major weapons programs to assure that they are essential to our national defense and available at affordable costs. This review will not only encompass fiscal year 1987 requests for funds but will include those systems funded in prior years. The Committee will scrutinize the entire DOD budget during the coming year especially the overall increases requested for the procurement and research, development, test and evaluation accounts. It should be pointed out that the Committee has been supportive of the Guard and Reserve requests over the years and, in fact, additional funding of the Reserve Components may again be in order.

MILITARY CONSTRUCTION

The fiscal year 1987 request for military construction and family housing of $10,137,200,000 in new budget authority is an increase of $1,639,341,000 or 19 percent over the amount appropriated in fiscal year 1986. As compared with the net amount after sequestration, the fiscal year 1987 request is $2,055,735,000 or 25 percent over the net fiscal year 1986 amount. In view of the mandate to reduce the federal deficit and in view of the significant increase that is being requested, it is likely that the President's budget for military construction and family housing will be reduced.

The fiscal year 1987 request reflects continued emphasis on construction of numerous facilities in support of the Army's force modernization program, the expansion and relocation of the Navy's larger fleet and the increase in planes in the Air Force. In addition, the Committee has always stressed and supported the need for quality of life projects which are essential to military life and retention in the Armed Forces. Some of the more significant features of the military construction budget are identified below.

New Bases.—The President's budget includes approximately $800 million for the continued development of 5 new bases in the United States. This represents about 8 percent of the total request. The

Army is requesting funding of $232 million for Fort Drum, New York for fiscal year 1987. In addition, the Army intends to request an advance appropriation of $221 million for fiscal year 1988 and $162 million for fiscal year 1989 in order to fully fund under a single major contract the construction of the entire Fort Drum base.

NATO and European Construction.—A total of $1.3 billion has been requested for facility construction in Europe which represents an increase of about 60 percent over the fiscal year 1986 appropriated amount. Excluding NATO, the requested increase in European construction is about 30 percent over the fiscal year 1986 appropriated amount. Of the requested amount, $247 million is for the NATO Infrastructure program, $617 million for Germany, $103 million for Italy, $78 million in the United Kingdom and $147 for new family construction. Funding for Army force modernization and improving living and working conditions make up a large part of the request in Europe. The Committee has always emphasized and sought more burden sharing by our allies. However, there is no indication at present that U.S. unilateral spending will decline even though spending in the commonly funded NATO Infrastructure program will double in the next five years.

Administrative and Recreational Activities.—A total of $632 million has been requested for administrative and community facilities. Last year the Committee considered some of these type of facilities to be of low priority in view of budget constraints. It is expected that such requests of low operational utility may again be closely scrutinized.

Family Housing.—A total of $3.4 billion has been requested for family housing which represents an increase, including inflation, of about 15 percent over the fiscal year 1986 appropriated amount and 21 percent over the post-sequestered appropriated amount. The major portion of this increase occurs in the Army's request for $124 million for 1350 units at the proposed new bases of Fort Drum, New York and Fort Wainwright, Alaska. A total of $800 million in new housing construction and improvements has been requested. The Committee generally supports funding of family housing as it improves the quality of life; however, some reduction in the construction and maintenance accounts are possible.

Other Programs of Interest.—The FY 1987 request also contains $53 million in support of the B-1b beddown, $27.5 million in support of deployment of MX missiles at F.E. Warren AFB, Wyoming, $15.6 million in support of the Anti-Satellite program, $75 million in facilities to enhance the security of the President, $53 million to complete a R&D facility for NSA, $10.3 million in support of the Strategic Defense Initiative at various locations and $24 million as the first increment of a multi-million dollar over-the-horizon radar system.

Overseas programs of interest include $80 million for the Ground Launched Cruise Missile program, $37 million for Persian Gulf facilities, $73 million for construction in the Philippines, including a new runway at Clark AFB at $32 million, $203 million for construction in Korea and $27 million for airfield and fuel activities in Iceland. New initiatives in Germany include a $36 million combat targeting center, $17.5 million for wartime host nation support, and $36 million in follow on construction at Rheinberg complex (Rug factory). The amount of $5 million has been requested for permanent facilities in Honduras.

The Department has also requested that a foreign currency fluctuation account be established with a blanket transfer authority to and from all military construction and family housing accounts. This account would be initially funded by foreign currency gains, and the proceeds used to fund foreign currency losses, when they occur.

OTHER PROGRAMS

Atomic Energy Defense Activities.—The Fiscal Year 1987 Budget of $8,230,000,000 represents an increase of approximately 14 percent over fiscal year 1986. Principally this provides an allowance for inflation of 5 percent, real growth of 3 percent, and the recovery of Gramm-Rudman reductions made in fiscal year 1986. There are substantial increases for Strategic Defense Initiatives and correction of site environmental problems.

Federal Emergency Management Agency.—The Federal Emergency Management Agency is requesting $304,476,000 for civil defense and federal preparedness activities in fiscal year 1987. The "current services" level for these two programs in fiscal year 1987 is approximately $287,600,000. The current rate for civil defense and federal preparedness activities, after the application of Gramm-Rudman sequestration, is $276,240,000. The Committee is recommending the "current services" level for civil defense and federal preparedness activities in fiscal year 1987.

INTERNATIONAL AFFAIRS

(Function 150)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request					
Requiring authorization	4,119	0	2,203	2,203	
Not requiring authorization	17,557	6,850	10,752	17,602	
Subtotal	21,676	6,850	12,955	19,805	17,474
Supplementals (including outlays from 1986 supplemental)	0	289	0	289	201
Proposed legislation and rescissions	−85	27	−107	−80	−77
Subtotal, appropriation requests	21,591	7,166	12,848	20,014	17,598
Proposed legislation, not through the appropriation process	130	0	125	125	
Permanents, trust funds and revolving funds	13,297	9,675	1,187	10,862	
Offsetting receipts	−12,382	0	−12,382	−12,382	
President's budget requests	22,636	16,841	1,778	18,619	

Note: May not add due to rounding

FUNCTIONAL DESCRIPTION

This function is concerned with the establishment and maintenance of peaceful relations, commerce, travel, and development between the United States and the remainder of the world. It includes the conduct of foreign affairs, membership in international organizations, foreign information and exchange activities, economic assistance programs, military assistance programs, and grant and loan programs designed to foster foreign commerce.

These activities are carried out through the Funds Appropriated to the President, Agency for International Development, the Departments of State, Agriculture, Transportation, and independent agencies, including the Peace Corps, the United States Information Agency, the Export-Import Bank, the Arms Control and Disarmament Agency, and the International Trade Commission.

COMMITTEE VIEWS

FOREIGN ASSISTANCE PROGRAM REQUESTS

International political and economic situations improve or worsen without regard to legislative calendars. Not all contingencies can be forseen during a particular fiscal year. Consequently, additional fiscal year 1986 supplemental budget requests or further fiscal year 1987 budget amendents may be proposed.

Nevertheless, in considering foreign assistance appropriations in fiscal year 1987 the Congress will face two major questions: (1) How will Congress consider significantly increased budget requests for foreign assistance in the context of Gramm-Rudman-Hollings legislation and in the context of requested further cuts in domestic programs; and (2) How will Congress consider the Administration proposals for the Export-Import Bank.

In total, the Administration budget requests for fiscal year 1987 Foreign Operations and Related Programs are $15,474,534,125 in new budget authority. This funding level for multilateral and bilateral economic and military assistance is an increase of $2,154,989,180 or 16.2 percent above the fiscal year 1986 post sequestration levels of $13,331,411,945 for these same programs. Additionally, no funding for the direct credits program of the Export-Import Bank is requested for fiscal year 1987. Instead, the Administration is requesting new legislation similar to that proposed last year. The Bank with extensive bipartisan Congressional support was funded at a fiscal year 1986 post sequestration level of $1,062,270,000.

FISCAL YEAR 1987 HIGHLIGHTS

While the Administration's fiscal year 1987 requests total a substantial increase above fiscal year 1986 post sequestration levels, some individual accounts receive substantial cuts while others receive even larger increases. The international financial institutions in total receive an increase of 21.8 percent, however, no funds are requested by the Administration for a second contribution to the Sub-Saharan Facility of the World Bank. The Administration is requesting the creation and funding of a new international financial institution, the Multilateral Investment Guarantee Agency, at a level of $44.4 million. The international organizations and programs account is requested at a level of $186 million, a 30 percent decrease from fiscal year 1986 post sequestration levels. These cuts substantially affect the United Nations Development Program, the U.N. Children's Fund (UNICEF), the International Fund for Agricultural Development (IFAD) and many other smaller programs.

In bilateral economic assistance, programs administered by the Agency for International Development (excluding the Economic Support Fund) in total are requested to receive a 6.7 percent increase. However, requests for two accounts, Health, Development Assistance ($−41.4 million) and American Schools and Hospitals Abroad ($−23.5 million) are significant cuts. The Administration is requesting an increase of 15.6 percent or $553.2 million in the Economic Support Fund.

Military assistance programs for fiscal year 1987 in total are requested by the Administration to increase by 16.6 percent or $958.9 million above fiscal year 1986 post sequestration levels. The largest requested increase in this title of the bill is for the Military Assistance Program. This increase is 33.2 percent or $248.1 million above fiscal year 1986 post sequestration levels. The Foreign Military Credit Sales program request is an increase of 14.0 percent or $694.2 million.

In the area of export assistance, the Administration is requesting a new program, the Fair Export Financing Program, at a level of $300 million.

FISCAL YEAR 1986 SUPPLEMENTAL REQUESTS AND RESCISSIONS

The Administration is requesting $4.8 million in the anti-terrorism assistance program and $50 million for a new foreign assistance contingencies fund. Rescissions totalling $51.7 million are also proposed for the international organizations and programs account.

DEPARTMENT OF STATE

The budget request for the Department of State totals $3,920,195,000, reflecting a net increase of $835,816,000 from appropriations anticipated for fiscal year 1986 after sequestration and including the proposed Security Supplemental. This amount reflects increases for built-in-changes including annualization of fiscal year 1986 program increases, overseas wages and prices and annualization of the proposal fiscal year 1986 Security Supplemental. The increase also reflects substantial program enhancements for the following programs: security (both ongoing and as a result of the fiscal year 1986 Security Supplemental); construction of 23 new office buildings overseas due to increased security standards; reporting and analysis; communications and information systems; professional development and training; overseas consular and administrative workload; and restoration of the full United States assessed contribution for support of the United Nations Interim Force in Lebanon (UNIFIL). These increases are offset by reductions for non-recurring costs of one-time requirements associated with programs and activities funded in 1986, including the Security Supplemental, and savings from management initiatives. The budget request for the United States assessed contributions to international organizations is consistent with the authorization enacted for fiscal year 1987 which limits the U.S. payment for the United Nations and its specialized agencies to not more than 20 percent of the total budget of those organizations (the current limit is 25 percent) unless certain reforms are undertaken.

BOARD FOR INTERNATIONAL BROADCASTING

The budget includes an increase of $69,225,000 or 70 percent above the fiscal year 1986 adjusted appropriation level for the Board for International Broadcasting. The request includes significant increases for currency rate adjustments ($16,348,000) and the second installment for the transmitter modernization program ($40,723,000), of which $10,000,000 would be allocated to a joint Voice of America/BIB Near East project.

UNITED STATES INFORMATION AGENCY

The budget includes an increase of $104,542,000 or 12 percent above the fiscal year 1986 level adjusted for sequestration and a proposed program supplemental for the United States Information Agency. This increase includes $35.8 million to continue the multiyear program to modernize Voice of America facilities, $32.1 million to maintain and enhance exchange programs to achieve a doubling of this program as provided for in authorizing legislation, $32 million to cover wage and cost increases and other built-in costs of the current program levels, and $4.7 million for built-in costs of the

East-West Center and Radio Marti and a program enhancement for the National Endowment for Democracy ($1.3 million).

PUBLIC LAW 480

For the P.L. 480 program the budget requests $1,164,000,000 in budget authority, a decrease of $78,894,000 below the amount appropriated for fiscal year 1986. These funds will provide for a total availability in fiscal year 1987 of $1,544,400,000, or $63,360,000 less than appropriated to date for fiscal year 1986. The level of programming in 1986 included $131,900,000 of title II supplemental appropriations carried in 1985 for drought relief in sub-Saharan Africa. This funding was available through December 31, 1985, only and represented 300,000 metric tons of total title II commodity programming. The projected volume of commodities to be shipped in fiscal year 1987 under P.L. 480 is proposed at 5.3 million metric tons under titles I and III and 1.9 million metric tons under title II. The difference between total budget authority ($1.54 billion) and new budget authority ($1.16 billion) results primarily from carryover funds and loan repayments.

The proposal reflects in part the expectation that food aid needs in sub-Saharan Africa will continue to decline from the extraordinary levels of recent years. Additionally, the $225,000,000 emergency reserve for Africa remains available through September 30, 1986.

GENERAL SCIENCE, SPACE, AND TECHNOLOGY

(Function 250)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	8,674	0	5,526	5,526	
Not requiring authorization	773	3,181	558	3,740	
Subtotal	9,447	3,181	6,084	9,266	9,150
Supplementals (including outlays from 1986 supplemental)	0	0	0	0	0
Proposed legislation and rescissions	0	−4	0	−4	−4
Subtotal, appropriation requests	9,447	3,178	6,084	9,262	9,146
Proposed legislation, not through the appropriation process	0	0	0	0	
Permanents, trust funds and revolving funds	5	−77	3	−74	
President's budget requests	9,452	3,100	6,088	9,188	

Note: May not add due to rounding.

FUNCTIONAL DESCRIPTION

This function includes science and research activities of the Federal Government where the goal is the general advancement of knowledge. In addition, research programs that have diverse goals and cannot readily be classified into one specific function are placed here to avoid detailed splitting of accounts.

Included in this function are general scientific research programs that are not an integral part of the programs conducted under another function. This includes space research and technology, except aeronautical technology of the National Aeronautic and Space Administration; research conducted by the National Science Foundation; and the broad-based scientific activities of the Department of Energy.

Research programs that are an integral part of the achievement of other major functions—e.g., health, national defense, energy—are excluded from this function. Only if a research program cannot readily be included in other functions is it classified in this function.

COMMITTEE VIEWS

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION AND NATIONAL SCIENCE FOUNDATION

The fiscal year 1987 request for NASA is $7,700,000,000. The "current services" level for NASA, after the application of Gramm-Rudman in fiscal year 1986, is $7,600,000,000. The current rate for NASA is $7,333,000,000. The Committee is recommending that funding be provided for NASA at approximately the "current services" level of $7,600,000,000 in 1987. In addition, the Committee notes that if a decision is made to replace Challenger with a new orbiter, approximately $800,000,000 will be required to meet that expense in fiscal year 1987. The Committee recommends that such amount be allocated within function 250 for a replacement orbiter unless, of course, the full cost of the vehicle has been previously provided in a fiscal year 1986 supplemental. It is currently estimated that the total cost of a replacement orbiter and a set of "structural spares" is about $2,000,000,000.

The fiscal year 1987 request for NSF is $1,686,000,000. The "current services" level for NSF after the application of Gramm-Rudman in fiscal year 1986 is $1,516,000,000. The current rate for NSF is $1,458,000,000. The Committee is recommending that funding be provided for NSF at approximately the "current services" level of $1,516,000,000 in 1987.

ENERGY

(Function 270)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	459	0	324	324	
Not requiring authorization	2,843	2,093	1,914	4,006	
Subtotal	3,302	2,093	2,237	4,330	4,808
Supplementals (including outlays from 1986 supplemental)	0	0	0	0	0
Proposed legislation and rescissions	–101	0	–100	–100	–161
Subtotal, appropriation requests	3,201	2,093	2,137	4,230	4,647
Proposed legislation, not through the appropriation process	402	0	478	478	
Permanents, trust funds and revolving funds	2,962	314	1,207	1,521	
Offsetting receipts	–2,211	0	–2,211	–2,211	
President's budget requests	4,355	2,407	1,611	4,017	

Note: May not add due to rounding.

FUNCTIONAL DESCRIPTION

This function includes those programs whose primary purpose is to promote the conservation and development of energy resources through research and applications of nuclear power, fossil fuels, solar, synthetic fuels and other energy resources. It encompasses development of additional energy resources and technologies that will increase production from domestic energy resources; energy conservation programs involving energy saving technology and grants to promote conservation practices; emergency energy preparedness; and energy information and regulation. Agencies that carry out these activities include the Department of Energy, Nuclear Regulatory Commission, Tennessee Valley Authority, and the Department of Agriculture.

COMMITTEE VIEWS

Energy Research Programs.—Energy Supply, Research and Development decreases by $442 million. This represents substantial reductions in all of the energy research programs, i.e., Solar and Renewables, Nuclear Fission and Magnetic Fusion contained in that account.

Deferrals.—The FY 1987 budget assumes deferral of $710 million of the FY 1986 Energy and Water Development appropriations to the Department of Energy. $65 million of the funds proposed for deferral were for increases for Solar and Renewable programs and the University research related activities, $584 million in reductions to the Uranium Enrichment Centrifuge and Gaseous Diffusion programs; and $59 million in funds for the Power Marketing Administrations which the Administration considers unnecessary to reach the FY 1986 objectives.

Facility Sales and Revenues.—The budget assumes the sale of the Power Marketing Administrations. The budget is predicated on the sale requiring substantive legislation and revenues are reflected beginning in FY 1988.

The budget also assumes the passage of legislation requiring a revision in the Power Marketing Administration rate making process. If enacted, this would represent an increase in revenues of $170 million in FY 1987. The revenues are not used by the Agency to offset expenses, therefore there would not be a change in the requested appropriation.

The budget also reflects a desire to commercialize the Advanced Uranium Enrichment technologies and assumes a substantial private contribution to the research and demonstration program.

Nuclear Regulatory Commission.—The NRC budget request for FY 1987 is $405 million which is $5 million greater than the FY 1986 appropriation of $400 million.

Fossil Energy Research and Development.—The fossil energy request for FY 1987 is for a total program of $150,090,000, a reduction of $192,894,000 (56%) from FY 1986 program levels. In addition, $66,886,000 of FY 1986 funds are proposed to be deferred for use in FY 1987 which will have a significant negative effect on FY 1986 programs also. Along with $437,000 proposed to be transferred from the Energy Security Reserve to monitor the Great Plains Gasification Plant, the use of these deferred funds leads to a request of $82,767,000 in new budget authority in FY 1987.

All fossil areas are reduced significantly. Coal programs are reduced from $246,015,000 to $82,227,000. The enhanced oil recovery program is reduced by $10,682,000 to $6,295,000; oil shale by $8,541,000 to $3,595,000; and unconventional gas recovery by $3,251,000 to $5,252,000.

To continue a program with the same general goals as the fiscal year 1986 appropriation would require overturning proposed fiscal year 1986 deferrals and addition to new budget authority of around $200 million. The combination of these actions would result in outlay increases of around $75–$100 million.

Naval Petroleum and Oil Shale Reserves.—The budget assumes that the process of selling the Petroleum Reserves will be undertaken in FY 1987, but funding for operations is budgeted for the entire year pending such sale.

The program request of $163,569,000 is a decrease of $2,281,000 from the FY 1986 program level of $168,850,000. Development drilling on NPR 1 and 3 will remain about level with FY 1986, and the government share of production is estimated at approximately 91,000 barrels per day. New budget authority of $127,108,000 is requested since $36,461,000 of unobligated prior year balances are anticipated to be available. Gross Federal revenues from the Reserves are estimated to be $1.1 billion.

If NPR are sold the budget assumes:

(1) a future rescission of FY 1987 budget authority ($78.8 million);

(2) a net increase of about $700 million in revenue in FY 1987 ($1.2 billion from asset sale less loss of revenues of $505.9 million); and

(3) revenue of $2.4 billion in FY 1988 from asset sale.

Energy Conservation.—The request of $71,215,000 is a reduction of $99,667,000 below the FY 1986 program of $170,882,000 for conservation research and development. In addition to this large reduction, $36,782,000 of the requirement is to be financed by deferrals of FY 1986 activities, resulting in a request of $34,433,000 in new budget authority. All areas of the research and development program are projected to have large decreases.

To continue a conservation research and development program with the same general goals as the fiscal year 1986 appropriation would require overturning proposed fiscal year 1986 deferrals and addition of new budget authority of about $100 million. The combination of these actions would result in outlay increases of $50–$60 million.

All State and local programs, which include low-income weatherization, schools and hospitals conservation grants, the energy extension service, and conservation grants to States are proposed to be eliminated in fiscal year 1987. A request of $5,000,000 is for administrative expenses to close out these programs, which were funded at a level of $256,630,000 in FY 1986. The budget assumes that funds available to States from oil overcharge cases can be applied to these programs by the States.

Assuming oil overcharge funds such as those in the Exxon case are distributed to the States, grant programs funded in fiscal year 1986 could be supported on a reasonable basis, at least in fiscal year 1987, by the States.

Economic Regulation.—This account includes the Economic Regulatory Administration and the Office of Hearings and Appeals.

For the Economic Regulatory Administration, there is a decrease of $1,298,000 from fiscal year 1986 to $16,850,000 in fiscal year 1987. The decrease reflects termination of the fuels conversion program based on repeal of the Powerplant and Industrial Fuel Use Act.

The request for the Office of Hearings and Appeals is $5,000,000, a decrease of $275,000 under FY 1986. No major changes in the program are anticipated.

Emergency Preparedness.—The request for Emergency Preparedness is $6,044,000 and reflects no changes in programs from FY 1986.

Strategic Petroleum Reserve.—The FY 1987 budget once more assumes an indefinite moratorium on the further development of the Strategic Petroleum Reserve. No oil fill will take place in FY 1987 and the Reserve will remain at about 500 million barrels which are anticipated to be in the Reserve by the end of FY 1986. No new budget authority is requested, and the $150,000,000 needed for the standby program will be obtained from funds deferred from FY 1986. The development of distribution enhancements at Bryan Mound and modifications to the Sun Terminal will continue in order to permit drawdown of the SPR oil at a rate of about 3 million barrels a day in 1987.

Since cavern development will cease and construction of the Big Hill site will end, $197,941,000 is proposed to be deferred during FY 1986, including funds previously deferred and subsequently made available by Congress by overturning the original deferral. In the SPR Petroleum account, $577,534,000 is proposed to be deferred in FY 1986.

If Congress insists on continued construction of storage capacity, and the proposed fiscal year 1986 deferral is overturned, new budget authority of $150-200 million would be required in FY 1987. These actions would increase outlays by around $100 to $150 million. No new budget authority would be required to fill the Reserve at the rate contemplated in the fiscal year 1986 reconciliation bill (35,000 barrels a day). Outlays would be around $250 million at $20 a barrel.

Energy Information Administration.—The request for FY 1987 is $59,651,000, an increase of $1,927,000 over FY 1987. Increases of $500,000 for a uranium industry viability assessment and $2,583,000 for administrative support are offset by eliminating several systems including State heating oil grants and State data systems consistently supported by Congress.

Receipts from Outer Continental Shelf Oil and Gas Leasing.—The fiscal year 1987 estimate for Outer Continental Shelf Leasing is $5.3 billion compared to the revised 1986 estimate of $5.5 billion. The current 1986 estimate has been significantly revised from the initial 1986 estimate of $7.3 billion.

The decrease of $0.2 billion under the 1986 revised estimate is based on the anticipated release in 1986 of funds held in escrow resulting from the resolution of the dispute over revenue sharing with the States on Section 7 and 8(g) or "common pool" tracts. The 8(g) controversy is not settled. If provisions in the Budget Reconciliation Bill are adopted, there could be a greater return to the States which could have a serious impact on receipts in fiscal year 1986.

RURAL ELECTRIFICATION ADMINISTRATION

The Rural Electrification Administration (REA), under authority of the Rural Electrification Act of 1936, as amended, makes insured loans and guaranteed loans. The guaranteed loans are made primarily by the Federal Financing Bank. These loans are for the purpose of extending and improving electric and telephone service in rural areas.

For electrification loans the budget proposes $375,000,000 for insured loans, $247,050,000 less than the amount available for fiscal year 1986. For guaranteed loans the budget proposes $225,000,000, a reduction of $588,450,000 below the fiscal year 1986 level.

For telephone loans the budget proposes $60,000,000 for the insured loans, $179,250,000 less than the amount available for fiscal year 1986. No guaranteed loans are proposed for fiscal year 1986. This would be a reduction of $119,625,000.

The budget proposes no funds for capitalization of the Rural Telephone Bank. In addition, the budget proposes to rescind $28,710,000 appropriated for the Bank for fiscal year 1986, as well as the $100,000,000 appropriated for interest and other losses of the Rural Electrification and Telephone Revolving fund. Appropriations required for restoration of losses in 1987 will be approximately $300 million plus $116 million for 1986 losses not previously restored. Should Congress restore these programs to the 1986 level and should the rescissions are rejected by the Congress, there will be a corresponding budget authority and outlay impact in fiscal year 1987.

The budget proposal is the first year of a proposed program to phase out REA by 1990. In addition, legislation will be proposed to increase the interest rate on direct loans from 5 percent to the cost of Treasury borrowing plus 1⅛ percent and to restrict available assistance to financially weaker borrowers. Supplemental financing requirements will also be increased to coincide with the phaseout of the loan program. The budget also proposes a 5 percent user fee assessment on direct loans. This user fee would be used to cover administrative and expenses in lieu of appropriated funds.

The Committee will explore these proposals in detail during its upcoming hearings. However, the Committee would point out that similar reductions were proposed in the budget last year and were not fully accepted by the Congress. Should the program be restored to last year's level, fiscal year 1987 outlays will increase accordingly.

NATURAL RESOURCES AND ENVIRONMENT

(Function 300)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request					
Requiring authorization	1,916	0	867	867	
Not requiring authorization	9,581	6,335	7,286	13,621	
Subtotal	11,497	6,335	8,153	14,488	14,630
Supplementals (including outlays from 1986 supplemental)	0	3	0	3	2
Proposed legislation and rescissions	1,955	−152	168	17	12
Subtotal, appropriation requests	13,452	6,186	8,321	14,508	14,644
Proposed legislation, not through the appropriation process	−400	0	−370	−370	
Permanents, trust funds and revolving funds	1,020	302	653	955	
Offsetting receipts	3,135	0	−3,135	−3,135	
President's budget requests	10,937	6,488	5,470	11,958	

Note: May not add due to rounding.

FUNCTIONAL DESCRIPTION

This function includes those programs whose primary purpose is to develop, manage, and maintain the Nation's natural resources and environment. It encompasses development and management of water resources and hydroelectric power; protection and enhancement of environmental quality; development and maintenance of recreational resources; promotion of the prudent use of forest and mineral resources; the fostering of conservation practices on both public and private lands; and management of the public domain.

Agencies that carry out these activities include the Corps of Engineers, the Departments of Agriculture, Interior, and Commerce, the Environmental Protection Agency and the Tennessee Valley Authority.

Excluded from this function are urban water supply programs, basic sewer systems, and waste treatment plants that are an integral part of a Federal facility (such as a military installation) unless they are an integral part of an environmental protection program and are specifically funded as environmental protection.

COMMITTEE VIEWS

PROTECTION OF LAND FOR FOOD PRODUCTION

The Committee has long been convinced that adequate protection of the soil and water of this Nation is of the highest priority and is heartened by the increasing attention given to this need in the national press. The 1987 budget request for operation of soil and water conservation programs is about 47 percent of the funding level appropriated for 1986. It proposes that 1987 be a transition year that would result in termination of many Federal conservation programs, and turn some over to State and local agencies. Programs scheduled for termination include the river basin investigations, watershed planning, watershed and flood prevention operations, Great Plains conservation, resource conservation and development, agricultural conservation program, forestry incentives, and water bank program.

For fiscal year 1987 the budget requests $457 million for soil and water conservation costs and of the $457 million, only $350.6 million is for continuing programs. The remainder is for termination costs. This compares with $867 million appropriated for 1986.

Contingencies identified in this area are additional funds for all of the conservation and flood control programs, and new construction starts, including the personnel needed to carry out existing programs plus new provisions of the Food Security Act of 1985. The Committee would also point out that major reductions in the budget were proposed last year but were rejected by the Congress. Therefore, it will be necessary for the Congress to restore a large portion of the reduction if adequate soil and water conservation is to be assured. The budget authority for these programs, should they be restored to last year's level, would be approximately $500,000,000. Outlays for these programs occur over a several year period.

The President's budget has also proposed to rescind $222,200,000 in conservation funds appropriated for fiscal year 1986. Should these rescissions be rejected by the Congress, there will be an outlay impact in fiscal year 1987.

WATER RESOURCE PROGRAMS

Corps of Engineers.—The FY 1987 budget request of the Corps is $3,069,500,000, an increase of $368,696,000 above the FY 1986 appropriation level.

The budget includes 12 new surveys, 9 new continuation of planning and engineering studies, 2 new advance engineering and design projects, and 19 new construction project starts.

Bureau of Reclamation.—The FY 1987 budget reflects an increase of $106,737,000 compared with the FY 1986 appropriation.

The budget includes 4 new investigations and 3 new advance planning studies. No new construction starts have been requested in FY 1987.

INTERIOR AND FOREST PROGRAMS

Bureau of Land Management.—The request for Management of Lands and Resources, the principal operating appropriation, is $375,685,000, a reduction of $3,454,000 from the FY 1986 level adjusted for sequestration. Many of the changes proposed reflect proposals made in recent years but rejected by the Congress.

Oregon and California Grant Lands requirements are $51,160,000, a decrease of $2,219,000 below FY 1986, mainly attributed to reduced requirements because of reoffering of timber returned pursuant to the Timber Contract Modification Act of 1984.

Range improvements decrease to $8,506,000 based on 50% of receipts without a $10,000,000 minimum appropriation.

A proposal to share the cost of generating timber receipts on the Oregon and California lands before distributing receipts to Oregon and California counties would result in a $25,000,000 decrease in permanent appropriations to the Oregon and California counties.

Grazing fees are frozen at 1985 levels.

Fish and Wildlife Service.—The request of $285,127,000 is a reduction of $1,402,000 compared to the 1986 appropriation less sequestration and a reduction of $14,288,000 from the 1986 appropriation. Major reductions include $9,489,000 for the accelerated refuge maintenance management system; $2,069,000 in the hatchery system which includes the closure or transfer to state operation of 6 national fish hatcheries; and $6,737,000 related to endangered species programs.

There are proposed increases of $696,000 for comprehensive surveys for suspected industrial and agriculture contaminants and $257,000 to accelerate the identification of point/non-point source contaminant discharges impacting fish and wildlife resources. The Committee will examine these estimates carefully to assure that adequate funds are available to deal with known or suspected contaminants on refuges and to assure that existing facilities can be maintained properly.

The request of $3,113,000 for construction provides only for dam safety and advance planning. No construction money is provided for refuges, hatcheries, fishery research facilities or wildlife research facilities. The request represents a reduction of $18,055,000 from the 1986 appropriation and $17,145,000 after sequestration. No follow-on funds are requested for the further development of the Nisqually Fish Hatchery or the Northeast Anadromous fish facility.

The land acquisition request is $1,500,000 which is solely for acquisition management. The 1986 appropriation is $38,688,000 after sequestration.

No advance appropriation is requested for the Migratory Bird Conservation Account, a reduction of $14,323,000 below the 1986 appropriation. There will be $16,500,000 in revenue from the sale of duck stamps available in 1987 to acquire 24,800 acres of migratory bird habitat.

National Park Service—The request of $596,482,000 for Operation of the National Park System is $27,514,000 below the FY 1986 appropriation and $687,000 below the appropriation adjusted for sequestration. In addition, there is $59,000,000 proposed for operating the parks to be derived from increases in recreation fees through a permanent, indefinite appropriation. Separate legislation is to be submitted to implement the increase in recreation fees. If the fee increase is not accepted, additional appropriations will be required to operate the National Park System.

National Recreation and Preservation programs are $1,008,000 below the appropriation adjusted for sequestration. Proposed decreases are similar to those asked for in recent years, including recreational programs and river and trail studies.

No funds are requested for the Historic Preservation Fund for which $23,729,000 is available in FY 1986 after sequestration.

The request for Park Service construction is $29,114,000, a reduction of $79,444,000 from the 1986 appropriation adjusted for sequestration. The request will provide for eight projects in seven different parks each of which is directed at health and safety or resource protection. A rescission of $8,713,000 is proposed for 1986. The Congress has generally supported Park Service construction at significantly higher levels. Separate legislation is proposed for Park Service road construction. The proposed legislation would provide $75,000,000 for Park Service road construction.

Land acquisition and State Assistance.—No funds are requested for 1987 for State assistance grants. Funding is included to continue emergency Park Service acquisitions and to pay anticipated deficiency awards ($8,000,000). There is also $5,000,000 for acquisition management. In 1986, the Congress provided $47,563,000 in assistance to States and $46,041,000 for Federal land acquisition.

Geological Survey.—The FY 1987 request of $395,500,000 is a reduction of $15,406,000 from the FY 1986 level adjusted for sequestration, and $33,869,000 below the FY 1986 enacted level. The budget proposes reductions including side-looking airborne radar, regional earthquake monitoring, mineral resource assessments of Forest Service lands, offshore surveys of the Gorda Ridge, regional aquifer systems, nuclear waste hydrology, the Federal-State cooperative water program, and grants and research connected with State Water Resources Research Institutes. The Committee is likely to continue the initiative begun in fiscal year 1986 to provide more comprehensive knowledge of water quality.

Minerals Management Service.—The FY 1986 request of $160,900,000 is an increase of $1,071,000 from the FY 1987 level adjusted for sequestration, and a decrease of $6,110,000 below the 1986 enacted level. This decrease is due largely to cuts in the resource evaluation program as a result of a proposal to reduce funding for environmental studies and offshore operations. In addition, funding for the royalty management systems development and operation program reflects a decrease due to cost savings from the installation of an upgraded and modified system. Funding increases are requested for consolidating MMS headquarters staff, for rental payments and for paying interest on refunds, which requires legislation. As a result of legislation in FY 1986, processing costs related to the acquisition of prelease geologic and geophysical data will decrease in future years, but funding is needed in FY 1987 to pay for data from permits issued prior to FY 1986.

Bureau of Mines—The FY 1987 request is $107,100,000, a reduction of $20,611,000 from the FY 1986 level adjusted for sequestration. The FY 1987 budget request follows the pattern of recent budgets by eliminating the Mineral Institute program which was funded at $7,950,000 in FY 1986 and by continuing to make further reductions to minerals health and safety and mining technology. The Bureau states it can make these reductions by concluding lower priority research efforts and focusing on a select number of high priority research topics. To continue the current services level of the Bureau would require an additional $26,000,000 in new budget authority and approximately $18,000,000 in outlays.

Office of Surface Mining.—The request for the regulation and technology account is $100,880,000, an increase of $19,378,000 over the FY 1986 level adjusted for sequestration and $15,738,000 over the FY 1986 enacted level. This change reflects increased financial and technical support by OSM for State regulatory programs; increased funding to improve regulatory and enforcement training; funding to expand the applicant-violator system in response to the out-of-court settlement of the Parker and Gasch order in addition to providing for a comprehensive financial management system; and funding to decentralize certain headquarters functions to field offices and technical centers. The requested increases reflect expressed Committee priorities.

For the Abandoned Mine Reclamation Fund, there is a request of $190,520,000, a decrease of $6,757,000 under the FY 1986 level adjusted for sequestration and $15,621,000 under the FY 1986 enacted level. State reclamation grants are decreased from $156,156,000 to $150,600,000 which OSM states will provide full administrative support to the States and allow 225 new reclamation construction projects. As in past years, no funds are included for the Soil Conservation Service to begin new Rural Abandoned Mine projects.

Bureau of Indian Affairs.—The request for the Bureau of Indian Affairs natural resources development program is $101,082,000, a decrease of $18,444,000 from the 1986 appropriation and a decrease of $13,305,000 from 1986 adjusted for sequestration.

A significant decrease is $11,449,000 in the forestry and agriculture program. This includes the $6,000,000 in emergency hay relief provided in 1986, but also reduces forest development (-$3,750,000); fire equipment ($415,000); and water policy implementation (-$1,500,000).

Departmental Offices.—The request for departmental offices is $80,600,000, a decrease of $693,000 below the 1986 appropriation but an increase of $2,716,000 above the 1986 appropriation after sequestration.

Forest Service.—The request for forest research is $111,481,000, a decrease of $14,041,000 from the 1986 appropriation, and $8,646,000 from 1986 adjusted for sequestration. All line items are reduced, with the largest decreases in forest inventory and analysis (-$2,827,000), and acid rain research (-$2,733,000). The result of the budget request would be to terminate seven research work units, and close four research locations: Fairbanks, AK, University Park, PA, Parsons, WV, and Sewanee, TN.

The request for State and private forestry is $24,871,000, a decrease of $32,767,000 from the appropriation and $30,289,000 from 1986 adjusted for sequestration. As in the past several years, the budget proposes no funds for pest suppression on non-Federal lands, reduces fire protection by $10,000,000, eliminates funding for the forest management and utilization activities, including urban forestry grants, and reduces special projects funding to $2,800,000, for the Boundary Waters Canoe Area grant.

The request for the National forest system is $889,488,000, a decrease of $158,813,000 from the 1986 appropriation, and $113,736,000 from 1986 adjusted for sequestration. The budget assumes a timber sales program of 10.0 billion board feet, compared to 11.4 BBF in 1986. The reforestation and timber stand improvement budget request is $57,948,000, compared with $99,420,000 in 1986. $30,000,000 of this comes from the Reforestation Trust Fund. All line items are decreased, with the largest decreases being $11,015,000 for forest fire protection; $15,377,000 for road maintenance; and $52,167,000 for recreation. This last decrease is offset by a request for $52,000,000 for a new account, operation and maintenance of recreation facilities, which would provide for the return of user fee receipts. This is based on proposed legislation to amend the Land and Water Conservation Fund to be submitted later. A request of $5,000,000 will be submitted later for the proposed FS/BLM interchange, with legislation.

The request for construction is $195,197,000, a decrease of $27,325,000 from 1986, and $17,757,000 from 1986 adjusted for sequestration. All line items decrease, with the largest percentage reductions in facilities construction (−$15,548,000, or 132%) and trail construction (−$2,057,000, or 41%). The request for forest road construction is $178,485,000, a decrease of $9,720,000 from the 1986 appropriation and $1,627,000 from 1986 adjusted.

The request for land acquisition is $3,206,000, compared to $28,130,000 appropriated in 1986 (adjusted for sequestration to $26,920,000). These funds will be used to cover the cost of closing existing cases. The remaining small accounts in the Forest Service total $5,751,000, compared to $4,684,000 appropriated in 1986 ($4,483,000 as adjusted for sequestration). Estimated payments to counties and States in 1987 are reduced from $217,830,000 (adjusted) in 1986 to $84,890,000. This reduction is based on proposed legislation that will change the program from a gross receipts sharing to a net receipts basis.

DEPARTMENT OF COMMERCE

For the Department of Commerce's National Oceanic and Atmospheric Administration, the budget proposes termination of virtually all grant and specialized research programs, as well as significant reductions or elimination of many ongoing public service programs. Most of these reductions or program terminations were proposed in the fiscal year 1985 and 1986 budgets and not approved by Congress. These include: Sea Grant, Coastal Zone Management State Assistance grants, specialized agricultural weather service programs, the polar orbiting satellite system, and various state and industry assistance programs. Because of the strong support in the Congress for these programs, the Committee will very carefully review each of these proposed reductions or program terminations.

The budget request for the National Bureau of Standards proposes elimination of the Center for Building Technology and the Center for Fire Research, and severe reductions for the Institute for Computer Sciences and Technology, all of which have had strong Congressional support in the past. The NBS proposal also contains requests for significant increases for other initiatives such as the cold neutron research facility, advanced ceramics and fiber optics.

The budget again proposes to eliminate the Public Telecommunications facilities, planning and construction grant program, which has received strong Congressional support for the past several years.

The budget request for the Patent and Trademark Office (PTO) reflects an increase of $28,574,000, or 35 percent, over the fiscal year 1986 adjusted appropriation, primarily due to increased costs for patent automation. The Committee understands that the PTO request is based on the enactment of certain legislative proposals, which may be at variance with those of the authorizing committee. The Committee will carefully monitor this matter in order to meet requirements within the legislative limits imposed.

ENVIRONMENTAL PROTECTION AGENCY

The fiscal year 1987 request for EPA is $4,259,466,000, including the pending supplemental request for construction grants. The "current services" level for EPA, after application of Gramm-Rudman in fiscal year 1986, is $4,784,000,000. The current rate for EPA is $4,630,000,000. The Committee is recommending that funding be provided for EPA at approximately the "current services" level of $4,784,000,000 in 1987.

AGRICULTURE

(Function 350)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	0	0	0	0	
Not requiring authorization	4,406	667	1,429	2,096	
Subtotal	4,406	667	1,429	2,096	2,182
Supplementals (including outlays from 1986 supplemental)	0	0	0	0	0
Proposed legislation and rescissions	−203	0	−201	−201	−205
Subtotal, appropriation requests	4,203	667	1,228	1,895	1,977
Proposed legislation, not through the appropriation process	−842	0	−629	−629	
Permanents, trust funds and revolving funds	16,312	16,155	2,211	18,365	
Offsetting receipts	−90	0	−90	−90	
President's budget requests	19,583	16,821	2,720	19,541	

Note: May not add [illegible] to rounding

FUNCTIONAL DESCRIPTION

This function includes those programs that promote the economic stability of agriculture and the capability to maintain and increase agricultural production. These are carried out through farm income stabilization activities that maintain and regulate agricultural markets and practices, inspect agricultural products, and restore losses from the disposal of surplus commodities. It also includes programs that provide research and technical, economic, and market information services to farmers, processors, distributors and consumers.

The function does not include programs which, though related to rural development, are not directly related to agriculture. Examples are rural environmental and conservation programs which are under the natural resources function.

COMMITTEE VIEWS

The Committee faces one of the most difficult tasks in its history in handling the 1987 budget request for the Department of Agriculture. Department of Agriculture outlays in 1987 are proposed to be almost $10.0 billion less than 1986. While some of the reductions and terminations are in areas other than Function 350, they nevertheless directly effect American Agriculture. Overall reductions totaling $4.9 billion in loans and $3.6 billion in budget authority are proposed for the Department of Agriculture as follows:

Program reductions

Programs eliminated	$4,729,444,000

Programs reduced	2,318,100,000
User fee proposals	534,200,000
Rescissions	1,056,205,000

There are no significant program increases proposed in the 1987 budget for the Department of Agriculture.

The following is a detailed listing of the program reductions, terminations, rescissions and user fee proposals for the Department of Agriculture. Many of these proposals fall directly within the Agriculture Function 350, and they all relate directly to American Agriculture.

Programs eliminated

Conservation programs:	
Agricultural conservation program	$190,000,000
Watershed and flood prevention operations	223,843,000
Great Plains conservation program	21,531,000
Water bank program	8,800,000
Forestry incentives program	12,500,000
Resource conservation and development	26,320,000
River basin surveys and investigations	14,906,000
	497,900,000
Rural development programs:	
All rural housing loans	2,112,000,000
All rural development loans	540,000,000
All rural grants	169,500,000
	2,821,500,000
Farmer programs:	
Farm ownership loans	520,000,000
Emergency loans	700,000,000
	1,220,000,000
Research and Extension:	
Special research grants	29,000,000
Animal health grants	5,600,000
Expanded food and nutrition education program (EFNEP)	60,354,000
Urban gardening	3,500,000
Farm safety	1,020,000
Financial management assistance to farmers	1,500,000
Renewable resource extension	2,500,000
Pest management programs	7,531,000
Graduate fellowships and Morrill-Nelson	4,800,000
Foreign currency research	3,000,000
	118,805,000
Animal and plant health:	
Animal welfare and horse protection	5,024,000
Imported fire ant	5,809,000
Noxious weeds	789,000
Pseudorabies	2,322,000
Witchweed	4,723,000
	18,667,000
Agricultural marketing:	
Wholesale market development	1,582,000
Federal-State market improvement program	990,000
Feeding programs:	
Temporary emergency food assistance program	50,000,000
	$4,729,444,000

Significant program reductions

REA loans and guarantees	$1,100,000,000
Animal damage control	10,000,000

Extension services/Smith-Lever funds	112,400,000
Foreign market development	12,000,000
Food stamps [1]	313,300,000
Child nutrition programs [1]	755,500,000
Nutrition education and training	(5,000,000)
Special milk [1]	14,900,000
	2,318,100,000

[1] Requires legislation.

User fees proposals

Legislation will be proposed to fund the following *agencies* or programs through user fees in lieu of appropriated funds. If this legislation is rejected—as in the past—the following amounts will need to be *restored* in the appropriation bill:

Food and Drug Administration	$26,000,000
Food Safety and Inspection Service	366,700,000
Federal Grain Inspection Service	6,700,000
Packers and Stockyards Administration	9,200,000
Agricultural Cooperative Service	4,700,000
Agricultural Marketing Service	28,900,000
Animal and Plant Health Inspection Service (various programs)	21,000,000
Rural Electrification Administration [1] (administrative costs)	25,000,000
Agricultural Stabilization and Conservation Service [2] (administrative costs)	46,000,000
	534,200,000

[1] The budget proposes a 5% user fee on all REA loans.

[2] The budget proposes user fees to cover the administrative cost of making price support loans.

Rescissions

Agricultural conservation program	$140,839,000
Watershed and flood prevention operations	60,401,000
Great plains conservation program	6,606,000
Water bank program	8,371,000
Rural clean water program	6,000,000
Dairy indemnity	95,000
REA reimbursement	100,000,000
REA Telephone Bank	28,710,000
Food donations program	5,183,000
Low-income housing (Sec. 502)	460,000,000
Rental housing (Sec. 515)	233,000,000
Other loans	7,000,000
	1,056,205,000

The new obligational authority proposed in the budget for programs directly tied to agriculture does not provide adequate funds to help farmers meet their growing financial problems resulting from declining income and increasing costs. While some farmers have been able to avoid bankruptcy during today's farm crisis, many are deeply in debt. Total farm debt has reached $212 billion, more than double the level of seven years ago.

The economic health of agriculture must be restored. Agriculture is the Nation's largest producer of new wealth. It is bigger than the auto, steel, and housing industries combined. It is the largest market for the goods and services of industry and labor.

The 1987 budget must provide adequate flexibility to enable the Congress to provide for programs which will restore farm income to a level which will keep farmers in the business of producing the

Nation's supply of food and fiber, and thereby maintain the foundation of our economy.

The commodity price support, export credit sales, and storage facility loan programs are financed through the Commodity Credit Corporation. The outlays for any fiscal year generally relate to the previous crop year; in other words, fiscal year 1987 costs primarily cover the 1986 crop year.

Because of the uncertainties of weather conditions and market prices throughout the world, it is impossible to determine in advance the cost of USDA's commodity price support programs. For this reason, CCC is authorized to borrow money from Treasury, up to a limit of $25 billion, to finance its operations. Outlays for the price support programs of the Commodity Credit Corporation are **authorized by legislation which is primarily under the jurisdiction of the legislative committees.**

Unusually good or bad weather will have a significant impact on CCC outlays which can vary by as much as several billion dollars. Appropriations (budget authority) to restore CCC losses are normally made after the fiscal year in which the loss occurs and are under the jurisdiction of the Appropriations Committee. The budget for 1987 proposes a permanent indefinite appropriation to restore such losses. The Congress has consistently rejected similar proposals. A total of $14,608,946,000 in budget authority has been made available to date in fiscal year 1986, and there is an additional supplemental request pending of $6,457,143,000, which appears to be understated by approximately $1.0 billion. The estimate for restoration of losses for 1987 is $16,710,412,000. However, the President's budget in recent years has consistently underestimated funds needed for restoration of CCC losses. In fiscal year 1986, the President's budget underestimated CCC losses by $12.6 billion. It is highly probable that the budget again underestimates CCC losses. Therefore, a contingency in the range of $5.0 to $6.0 billion in budget authority for restoration of net realized losses may exist for fiscal year 1987.

Appropriations to restore capital impairment are budget authority only and have no direct effect on outlays.

The 1987 budget proposes a number of program decreases in the Agriculture function. Among the items proposed for reduction are various ongoing research projects, including animal health and disease research and many Extension programs, such as farm safety, urban gardening, and the expanded food and nutrition education program. In addition to the major cuts proposed, the budget proposes to request legislation to fund several agencies through user fees and charges. These agencies include the Food Safety and Inspection Service, Federal Grain Inspection Service, Agriculture Cooperative Service, Agriculture Marketing Service, and Packers and Stockyards Administration. These reductions will need to be restored.

Also included in this function are such programs as the farm ownership loans, farm operating loans, and emergency disaster loans. Because of the serious problems facing agriculture, it may be necessary to increase some loans above the level requested in the President's budget for 1987.

Emergency disaster loans are requested "in amounts necessary to meet the needs resulting from natural disasters" and loan levels depend on the weather and other disaster conditions. However, the Food Security Act of 1985 caps these loans at $700 million in fiscal year 1987. Legislation will be submitted by the Administration in fiscal year 1987 to terminate this program.

For the Animal and Plant Health Inspection Service the funds requested are clearly insufficient to maintain the current level of program performance. There is a tremendous potential for loss of food and fiber through the depredation of disease and pests. The Federal investment in minimizing this loss is repaid many times in increased production, which maintains our favorable balance of trade in agricultural products. In the course of this year's hearings, the Committee plans to review a number of high priority control and eradication programs which must be maintained and may need to be expanded to protect our domestic food supply, as well as our export markets. These programs include the gypsy moth, imported fire ant, witchweed, pink bollworm, grasshopper, brucellosis, animal welfare programs, and animal damage control activities. The Administration will also request legislation to collect user fees for agriculture quarantine inspection, veterinary biologics, import-export, and veterinary diagnostics to be used in lieu of appropriated funds.

The budget proposes to recoup $483,200,000 from user fees. Should legislative proposals for these fees fail enactment, then a corresponding amount of budget authority and outlays will need to be provided.

The Committee will review the budget proposals in detail during the hearings on the 1987 budget. However, the Committee points out that most of the reductions and terminations have also been proposed in the past but were not fully accepted by the Congress.

The Committee has identified serious contingencies in funds proposed for the loan programs, for research and extension, and for insect, disease, and animal control which will require restoration. Reductions below the fiscal year 1986 level total approximately $310 million in budget authority and a similar amount in outlays.

There is substantial evidence to indicate that loan levels for the Agriculture Credit Insurance Fund are significantly underestimated, especially operating loans and farm ownership loans. Should the Congress restore these loan programs to last year's level and reject the proposed termination of the emergency loan program, both budget authority and outlays from the Federal Financing Bank will increase accordingly.

COMMERCE AND HOUSING CREDIT

(Function 370)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	361	0	287	287	
Not requiring authorization	6,445	884	3,379	4,263	
Subtotal	6,806	884	3,667	4,550	4,681
Supplementals (including outlays from 1986 supplemental)	0	-113	0	-113	2
Proposed legislation and rescissions	349	-134	388	254	678
Subtotal, appropriation requests	7,155	637	4,055	4,692	5,360
Proposed legislation, not through the appropriation process	361	-1,998	361	-1,638	
Permanents, trust funds and revolving funds	3,249	-3,809	2,684	-1,125	
Offsetting receipts	-570	0	-570	-570	
President's budget requests	10,195	-5,170	6,529	1,359	

Note: May not add due to rounding.

FUNCTIONAL DESCRIPTION

This function includes collection and dissemination of social and economic data unless this is an integral part of another major function (such as health); mortgage credit and thrift insurance, and loans, subsidies, insurance, and regulation of business unless these are an integral part of another function; and the subsidy to the Postal Service. Agencies involved in this function include Commerce, Agriculture, Housing and Urban Development, the Small Business Administration, the Securities and Exchange Commission, and the Postal Service.

Excluded from this function are subsidized housing programs which are considered an integral part of broad-scale welfare reform and therefore belong in the income security function.

COMMITTEE VIEWS

RURAL HOUSING

Under the loan programs of this function, loans are held in a pool as security for certificates of beneficial ownership, which are sold primarily to the Federal Financing Bank. The loans normally do not impact on budget authority or outlays of the Farmers Home Administration. However, outlays can be affected by the Executive Branch if sales of CBO's are delayed into the next fiscal year. A general provision has been carried in the appropriation bill for a number of years which precludes budget gimmickry in the sale of CBO's. The President's budget proposes to delete this general provision. Under procedures initiated by the Office of Management and Budget, outlays from these programs are recorded against the Federal Financing Bank.

For fiscal year 1987 the budget proposes to terminate all low-income housing loans and to rescind $700,000,000 of fiscal year 1986 funds in order to immediately terminate these programs. These programs were funded at $2,112,000,000 in 1986.

The Committee points out that very significant contingencies exist in these loan programs. Should the Congress restore these programs and reject the proposed rescission, budget authority and outlays of the Federal Financing Bank will increase proportionally.

The budget also proposes to terminate all rural housing grant programs. These programs include rural housing preservation, rural housing for domestic farm labor, very low-income housing repair, mutual and self-help housing, and construction defects. A total of $51,250,000,000 was provided for these grants in 1986.

The budget proposes to terminate rental assistance payments. A total of $167,513,000 was provided for this program in fiscal year 1986 which was funded by the Rural Housing Insurance Fund.

Should Congress restore the rural grant programs and rental assistance program, budget authority and outlays will increase accordingly.

SMALL BUSINESS ADMINISTRATION

The budget request for the Small Business Administration reflects the elimination of the agency during the first quarter of fiscal year 1987. This request is similar to the fiscal year 1986 proposal to terminate SBA, which the Congress did not approve. Certain SBA programs at a reduced level would be transferred to the Department of Commerce, including Procurement and Technical Assistance; Innovation, Research and Technology; Advocacy; Minority Small Business/Capital Ownership Development and SCORE. In addition, the Portfolio Management function would be transferred to the Department of Treasury for sale, collection and liquidation of the existing loan portfolio. All business and disaster lending activities would be eliminated.

Of the total budget request of $2,803,621,000 for SBA for fiscal year 1987, $2,708,621,000 would be reallocated to the Commerce and Treasury Departments in a budget amendment proposed for later transmittal under proposed legislation, to fund the programs proposed for transfer to those departments. The amended budget request for SBA would then provide $95,000,000 in the Salaries and Expenses account to close the Agency by December 31, 1986.

Of the total amount to be transferred in the budget amendment, about $2.3 billion would be used by the Treasury department to repurchase the outstanding Federal Financing Bank portfolio of Small Business Investment Company and Section 503 Development Company debentures and loans for sale to the public. Last year a similar amount for this purpose was originally proposed in the Treasury Department budget.

If it becomes clear that the Congress will not agree to the proposed termination of SBA and the President withdraws the requested amounts associated with the dismantling of SBA programs and the sale of the loan portfolio, a total of about $213,000,000 in additional funds would be required to maintain SBA programs in fiscal year 1987 at the current rate for fiscal year 1986.

U.S. POSTAL SERVICE

The appropriation is to reimburse the Postal Service for losses in revenue for carrying certain categories of mail at free or reduced rates. The method of calculating the amount of this appropriation is set forth in the authorizing legislation. The Administration proposes to eliminate the revenue foregone appropriation in FY 1987. The impact of this reduction on preferred rate mailers would be significant because rates would almost double for the non-profit mailers. The Committee recommends adding $830 million to maintain those rates at the current level for all of FY 1987.

LEGISLATIVE BRANCH PROGRAMS

This function deals with commercial and housing credit activities of the federal government. The Copyright Office and Copyright Royalty Tribunal are the two items in the bill that fall within this function. There are no known needs beyond the $11,228,000 requested in the budget for budget authority and the $11,111,000 in estimated outlays.

HOUSING FOR THE ELDERLY OR HANDICAPPED

The Department of Housing and Urban Development is not requesting funding for additional housing for the elderly or handicapped units in fiscal year 1987. The "current services" rate for the elderly housing program in fiscal year 1987 is $532,000,000. The current rate for the elderly housing program is $503,517,000. The Committee is recommending that funding for the elderly or handicapped program be provided at approximately the "current services" level of $532,000,000 in fiscal year 1987.

TRANSPORTATION

(Function 400)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	4,730	0	4,951	4,951	
Not requiring authorization	3,027	17,577	3,747	21,324	
Subtotal	7,757	17,577	8,697	26,275	26,077
Supplementals (including outlays from 1986 supplemental)	0	6	0	6	6
Proposed legislation and rescissions	−23	−113	−22	−135	−144
Subtotal, appropriation requests	7,735	17,470	8,675	26,145	25,939
Proposed legislation, not through the appropriation process	−238	0	−238	−238	
Permanents, trust funds and revolving funds	15,597	14	110	124	
Offsetting receipts	−529	0	−529	−529	
President's budget requests	22,565	17,484	8,019	25,503	

Note: May not add due to rounding

FUNCTIONAL DESCRIPTION

This function includes all programs with the primary aim of providing for the transportation of the general public and/or their property, regardless of whether local or national and regardless of the particular mode of transportation. It includes the construction of facilities; purchase of equipment; research, testing, and evaluation; provision of communications directly related to transportation (for example, air traffic control by the FAA); and operating subsidies for transportation. This function also includes regulatory activities directed specifically toward the transportation industry rather than toward general commerce. In addition to the Department of Transportation, these programs are carried out by the U.S. Railway Association, Interstate Commerce Commission, National Transportation Safety Board, Panama Canal Commission, and NASA.

Excluded from this function are the provision of foreign economic assistance that may take the course of assisting transportation facilities or programs abroad; the construction of roads, trails, etc. as an integral part of the operation of public lands, parks, forests, or military reservations, unless they are specifically funded as a part of a broader transportation program; the construction of roads or other transportation facilities as an integral part of a broad community facility or regional development program where the clear intent of the program is regional development and the provision of transportation facilities is only an incidental by-product or means to attain the objective of regional development.

COMMITTEE VIEWS

AVIATION PROGRAMS

The budget request for the Federal Aviation Administration (FAA) consists of direct appropriations of $3.8 billion and a limitation on obligations for grants-in-aid for airports of $712.5 million. The total direct appropriation request is essentially the same as the fiscal year 1986 level. The request for facilities and equipment is $825 million, which is $125.3 million less than fiscal year 1986. The research, engineering and development request is $134.5 million, a reduction of $47.3 million from the fiscal year 1986 level. Most of the funding in these two appropriations is related to FAA's multi-year plan to upgrade and modify the air traffic control system. The Congress, of course, will want to continue to examine this plan to determine the rate at which it should be implemented.

The FAA budget includes $2.8 billion to operate and maintain the nation's air traffic control and navigation systems. This is an increase of about $160 million over fiscal year 1986 and will provide for the addition of 500 air traffic controllers and 138 general aviation and air carrier inspectors. At the Committee's request, the General Accounting Office (GAO) is reviewing FAA's personnel requirements in these two areas. The Committee intends to use the information developed by the GAO in determining the adequacy of the increases being requested.

The budget also assumes termination of the payments to air carrier program. A similar proposal was not accepted by the Congress last year. Under existing law this program would not be terminated until October 1988.

HIGHWAY PROGRAMS

Most of the highway programs are financed with contract authority provided in authorizing legislation. As in past years, the budget proposes that a limitation on obligations be included in the appropriation legislation for these programs. The limitation requested for fiscal year 1987 is $12.42 billion, which is a slight increase over the current fiscal year. The fiscal year 1987 request is based on proposed surface transportation reauthorizing legislation, which includes a number of significant changes to the federal-aid highways program. The extent to which Congress will accept these proposed program modifications is unclear at this time.

RAIL PROGRAMS

The total appropriation requested for the Federal Railroad Administration is $625 million below fiscal year 1986. This reduction includes the elimination of all federal grants to the National Railroad Passenger Corporation (Amtrak). Termination of these grants would require the initiation of bankruptcy proceedings by the Corporation. A similar proposal to terminate funding for Amtrak was not accepted by the Congress in fiscal year 1986 and the Committee believes that there continues to be considerable Congressional support for the operation of a nationwide Amtrak system.

The budget also proposes to terminate funding for the Northeast Corridor improvement program, local rail service assistance, redeemable preference shares, and grants-in-aid for railroad safety. Similar funding proposals for these programs were not accepted by the Congress last year.

MASS TRANSPORTATION PROGRAMS

The following table summarizes the mass transit program for fiscal years 1986 and 1987:

	Fiscal year 1986	Fiscal year 1987
Formula grants	$2,058,000,000	
Transportation block grants-transit		[1] $1,220,000,000
Discretionary grants	[1] 1,001,000,000	
Interstate transfer grants	[2] 210,000,000	([3])
Washington Metro	217,000,000	
Administration and research	45,000,000	[4] (46,000,000)
Total	$3,531,000,000	$1,220,000,000

[1] Limitation on obligations

[2] Includes $18.75 million derived by transfer.

[3] Proposed to be included under Federal Aid Highways, limitation on obligations.

[4] Included under Transportation block grants-transit.

As the table indicates, the President proposes to reduce mass transit funding by about 65 percent from the fiscal year 1986 level. The existing discretionary grant program would be terminated. Revenue from the one-cent gas tax would be used to support a $1.22 billion block grant.

Interstate transfer grants-transit would be merged with Interstate transfer grants-highways at a combined level of $500 million, which is approximately $400 million below the fiscal year 1986 combined level.

No separate appropriation is requested to continue construction of the Washington Metro System and funding for administrative expenses, transit research, planning grants, and elderly and handicapped grants would be derived from the block grant account.

These proposed changes represent a major reduction and redirection of the transit program. In view of past Congressional support for increasing mass transit funding, the Committee believes it is unlikely that Congress will fully accept the proposed budget request.

COAST GUARD

The proposed fiscal year 1987 budget request for the Coast Guard is $2.4 billion, which is a slight increase over the fiscal year 1986 level. This amount includes funds for all fiscal year 1987 defense readiness costs of the Coast Guard. Most of these costs were funded by the Department of Defense in fiscal year 1986.

MARITIME ADMINISTRATION

The proposed fiscal year 1987 budget request for the Maritime Administration includes a request for language prohibiting the Secretary of Transportation from issuing obligations to finance the costs pursuant to P.L. 99-198, the Food Security Act of 1985. Section 1142 of that Act requires the Maritime Administration to finance ocean freight differential costs of increased carriage in U.S.-flagships of concessional agricultural commodities exported pursuant to Section 901, Merchant Marine Act, 1936. The law (a) mandates an increase from 50 percent to 75 percent over a three-year period in the gross tonnage of specified concessional agricultural cargoes that must be carried on U.S.-flag vessels, and (b) establishes a minimum level of agricultural commodities to be exported.

The fiscal year 1986 estimated outlays for these costs is $48,000,000, while the fiscal year 1987 estimate is $120,000,000. The Administration has proposed authorizing legislation to repeal the requirement for this provision. The Committee wishes to call attention to the potential for an increase in outlays of these magnitudes as a result of this Act, which was passed last December. The Committee wishes to further note that the outlays will occur as a result of the mandatory nature of the Act and that there is no way to control the level of expenditures without changing the authorization.

COMMUNITY AND REGIONAL DEVELOPMENT

(Function 450)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	2,271	0	122	122	
Not requiring authorization	2,019	4,553	1,054	5,608	
Subtotal	4,290	4,553	1,117	5,730	5,689
Supplementals (including outlays from 1986 supplemental)	−77	86	−77	10	−26
Proposed legislation and rescissions	41	275	5	281	187
Subtotal, appropriation requests	4,254	4,914	1,106	6,020	5,849
Proposed legislation, not through the appropriation process	−524	182	−524	−342	
Permanents, trust funds and revolving funds	759	559	1,003	1,562	
Offsetting receipts	−715	0	−715	−715	
President's budget requests	3,775	5,655	870	6,525	

Note May not add due to rounding

FUNCTIONAL DESCRIPTION

This function consists of broad-based community and regional development programs and programs concerned with urban and rural renewal for the preservation and revitalization of communities and regions. It includes water supply and sewer systems (except those specifically funded as environmental protection programs), urban renewal programs, regional economic development programs, broad-based public facility construction programs, and rehabilitation of public facilities in the event of natural disasters. Agencies which administer these programs include the Farmers Home Administration, the Economic Development Administration, the Bureau of Indian Affairs, the Appalachian Regional Commission, the Small Business Administration, and the Department of Housing and Urban Development.

COMMITTEE VIEWS

REGIONAL COMMUNITY DEVELOPMENT

The budget proposes terminations of programs related to several critical areas of rural development. A total of $118,250,000 was provided for rural community development grants in fiscal year 1986, which includes funds for water and waste disposal systems and assistance for rural fire protection.

Loans for rural development programs are also proposed to be terminated. A total of $540 million was provided for 1986.

Failure to adequately fund these programs would result in continued inequitable treatment for Rural America in the fields of employment and general community development.

Contingencies identified for this function are additional funds for rural grant programs, such as water and sewer, and additional loan servicing and counseling personnel for the Farmers Home Administration. Also, contingencies are identified in the loan programs, including water and sewer loans, business and industry loans, and community facility loans. Should the Congress restore the loan programs to last year's level, outlays from the Federal Financing Bank will increase accordingly. Restoration of the rural grant program will require $118,250,000 in budget authority and a corresponding amount for outlays. Restoration of the loan programs will require an additional loan authority of $540,000,000.

SMALL BUSINESS ADMINISTRATION

DISASTER LOAN FUND

The budget proposes the elimination of the Small Business Administration during the first quarter of fiscal year 1987. No new budget authority is requested for SBA's Disaster Loan Fund and all disaster lending activities would be terminated at the end of fiscal year 1986.

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION AND INTERNATIONAL TRADE ADMINISTRATION

As in the fiscal year 1985 and 1986 budgets, the fiscal year 1987 budget assumes termination of the economic development assistance programs of the Economic Development Administration and elimination of the Trade Adjustment Assistance program within the International Trade Administration. The Congress has repeatedly restored EDA's economic assistance programs in the face of proposed termination. The resolution of the reauthorization problem for the Trade Adjustment Assistance program will bear heavily on the Committee's recommendations concerning this program for fiscal year 1987.

BUREAU OF INDIAN AFFAIRS

The request for operation of Indian programs in this function is $509,323,000, an increase of $5,781,000 over the 1986 appropriation and an increase of $27,434,000 over the 1986 level adjusted for sequestration. There is a decrease of $12,400,000 for programs in Alaska, partially offset by an increase of $2,500,000 for Alaska native allotment surveys. Indian rights protection decreases by $1,370,000, for litigation support and attorneys' fees. Increases include $3,833,000 for general assistance payments, which is partially offset by a decrease of $2,710,000 to Indian Child Welfare Act grants; $5,600,000 for indirect costs of new tribal contracts; and $1,350,000 to initiate a consolidated training program. For the first time, the budget will show those programs determined by tribal priority setting separately from the BIA central and area office program budgets. The total amount included in the tribal priority portion of the budget is $295,088,000.

The request for construction is $59,155,000, a decrease of $41,293,000 from 1986, and a decrease of $36,736,000 from 1986 adjusted for sequestration. The request for new construction is $28,960,000, all for facilities improvement and repair. The 1986 amount for this program was $33,844,000. The request for irrigation systems is $13,900,000, a decrease of $3,538,000. There is no request for land acquisition, for which $2,283,000 was provided in 1986. The request for housing is $16,295,000, compared to $42,564,000 in 1986, which included $22,000,000 for Navajo-Hopi relocation housing.

No funds are requested for road construction, but the budget assumes project funds in the amount of $75,000,000 are included in contract authority allocations from the Highway Trust Fund. The request for the Indian Loan Guaranty and Insurance Fund is $2,485,000, an increase of $288,000. The expected level of new loan guarantees is $30,000,000. No funds are requested for the Alaska Native Escrow fund, for which $7,830,000 was appropriated in 1986. This was a one-time expense.

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION

The request of $6,211,000 for FY 1987 represents an increase of $905,000 over the FY 1986 level adjusted for sequestration and $666,000 over the FY 1986 appropriation. The Corporation has requested no funding for land acquisition.

COMMUNITY AND REGIONAL DEVELOPMENT

Appalachian Regional Commission (ARC).—The Administration has again proposed to abolish the ARC and has requested no funding for it in the FY 1987 budget. This is consistent with Administration recommended reductions in other economic development programs. This year no funds are proposed for ARC highways under the Federal Highway Administration, as was the case in past years. This action would come at a time when the Commission has completion of its job in sight. The authorization for the ARC expired in 1982 and the current Administration has indicated it would veto legislation to reauthorize the ARC. Restoration to the FY 1986 funding level would require a $177 million increase.

Tennessee Valley Authority.—The budget request for the Tennessee Valley Authority decreases from $113 million in FY 1986 to $58 million in FY 1987. The request eliminates all TVA economic development appropriated programs consistent with Administration policy in this area and increases funds for the fertilizer research program. Restoration to the FY 1986 funding level would require a $55 million increase in FY 1987. This proposal would have the effect of repealing much of the TVA Act affecting a large territory without providing for other Government agencies to fill the void.

COMMUNITY DEVELOPMENT PROGRAMS

The fiscal year 1987 request for HUD's community development programs is $2,462,000,000. The "current services" level, after application of Gramm-Rudman in fiscal year 1986, is $4,024,000,000. The current rate for HUD community development programs is $3,826,000,000. The Committee is recommending that funding be provided for HUD community development programs at approximately the "current services" level of $4,024,000,000 in 1987.

DISASTER RELIEF

The fiscal year 1987 request for Disaster Relief is $100,000,000. The request assumes an average level of disaster activity and certain administrative and legislative changes in the program. The "current services" level for Disaster Relief activities in fiscal year 1987 is $246,000,000. The current rate for Disaster Relief, after application of the Gramm-Rudman sequestration and the supplemental appropriation request, is $345,700,000. Because of the uncertainty of the level of disaster activity in fiscal year 1987, the Committee is not recommending a fixed amount.

EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

(Function 500)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	1,481	0	738	738	
Not requiring authorization	21,278	17,483	10,451	27,934	
Subtotal	22,759	17,483	11,189	28,671	28,506
Supplementals (including outlays from 1986 supplemental)	0	37	−3	34	59
Proposed legislation and rescissions	3,064	−1,209	373	−836	−816
Subtotal, appropriation requests	25,822	16,311	11,559	27,869	27,749
Proposed legislation, not through the appropriation process	45	0	45	45	
Permanents, trust funds and revolving funds	1,148	−594	177	−416	
Offsetting receipts	−51	0	−51	−51	
President's budget requests	26,965	15,717	11,730	27,447	

Note: May not add due to rounding.

FUNCTIONAL DESCRIPTION

This function includes programs designed to promote the general extension of knowledge and skills and/or to assist individuals to become self-supporting members of society. It includes the elementary, secondary, and vocational education and higher education programs; manpower training programs; and grants to States for social services and rehabilitation services. It includes provisions of education or training services, income support directly related to training or education, child care, and general social services provided to individuals and families. It includes cash payments (scholarships loans or stipends) to persons when such payments are provided to enable a person to participate in education or training programs. It also includes research directly related to the provision of said services.

These programs are administered by the Department of Health and Human Services, the Department of Education, the Department of Labor, and the Bureau of Indian Affairs.

The function excludes education or training undertaken as an integral part of the achievement of another functional end (such as training of military personnel; veterans education, training, and rehabilitation; or training of health research workers in a health program) and also excludes general purpose scientific research.

COMMITTEE VIEWS

DEPARTMENT OF LABOR

The President's budget request for the Function 500 programs in the Department of Labor for fiscal year 1987 is $4.2 billion in discretionary spending. This is a decrease of $532 million below the FY 1986 appropriation and $366 million below the amount available in 1986 after sequestration. In addition, trust fund transfers are proposed totalling $43 million, the same as in 1986.

1986 PROPOSALS

The budget proposes 1986 rescissions for DOL totalling $416 million, including $208 million for summer youth employment, $196.5 million for Job Corps and $11.5 million for several small job training programs. Should these rescissions be rejected by the Congress, there will be an outlay impact in 1987.

There is one 1986 discretionary supplemental request of $74 million for dislocated worker assistance under the Job Training Partnership Act (JTPA). This request is being made to carry out the President's statement in his December veto message on the textile import bill that the Administration would provide additional assistance to dislocated workers.

Gramm-Rudman reductions for 1986 total $353 million for DOL, including trust fund transfer reductions of $116.3 million.

1987 BUDGET—DISCRETIONARY

DOL discretionary spending would decline by $.5 billion in 1987 from the original 1986 appropriation level, or nearly 12 percent. The 1987 amount would be $.4 billion below the 1986 level as revised by Gramm-Rudman. The Job Corps appropriation would decline from the original 1986 appropriation of $640 million ($612 million after sequestration) to $351.7 million. Most of the reduction would take place through the 1986 rescission of $196.5 million. The enrollment level would drop to 22,000 from the current level of 40,500. A number of centers would be closed. The summer youth employment program would remain at the same level in 1987 after being reduced by $236.5 million in 1986, primarily through the rescission. Over 370,000 summer jobs for disadvantaged youth would be eliminated. The budget proposes appropriations bill language to override the statutory allocation formula to permit the Department to allocate summer funds to areas with the most severe youth unemployment. Both the Job Corps and the summer youth program are highly regarded by the Congress. The dislocated worker program would be funded at $100 million in 1987, a reduction of $69.7 million from the 1986 level after the supplemental. The program level would thus increase from 286,000 participants in 1985 to 332,000 in 1986 and then decline to 250,000 in 1987. Bill language is also requested for this program to permit the Secretary to distribute these funds at his discretion, thereby targeting the funds to those areas with the most severe displacement problems. The Trade Act retraining program would be terminated in 1987. The Administration believes that this program is unnecessary because it is duplicative of the dislocated workers program. The 1986 appropriation was $26 million ($24.8 million after sequestration).

The JTPA State block grant request is for $1.82 billion, a reduction of $43.2 million from the original 1986 amount but an increase of $36.9 million over the 1986 level as revised by Gramm-Rudman. A four percent average enrollment reduction to 319,000 is expected to result from inflationary cost increases. The title V older workers employment program would be funded at $326 million, the same as the original 1986 appropriation, an increase of $13.9 million over the 1986 level as adjusted by Gramm-Rudman. The number of jobs funded would be 63,800.

Two small increases are proposed in the 1987 job training request. Pilots and demonstrations are increased by $20 million, or 50 percent. Research and evaluation goes up by $10 million, or about 67 percent.

In total, the Departmental salaries and expenses accounts are about the same in 1987 as in 1986, about $1.2 billion. Employment levels are projected to decrease by about 500 in 1986 because of Gramm-Rudman. About 20% of this staff reduction would be restored in the 1987 budget. The total staffing level for the Department would be just over 18,000.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

The President's FY 1987 Budget Requests $5,500 million for the Function 500 programs in the Department of Health and Human Services (HHS), a reduction of $620 million from the 1986 appropriation and $375 million below the 1986 level as adjusted by Gramm-Rudman.

The Budget again proposes to eliminate the Work Incentives (WIN) program (−$220 million) and the Community Services Block Grant (−$370 million).

The FY87 Budget for Human Development programs other than WIN is $5,496 million. Most activities including the Title XX Social Services Block Grant are funded at the original 1986 appropriation level. Special training and research activities are reduced by $20 million below 1986. Aging programs, other than training, are funded at the 1986 level of $701.6 million. The budget includes $1,075 million for Headstart which is the same as the FY 1985 appropriation but $12 million less than approved by Congress for 1986. The budget also requests $854.9 million for Family Social Services, an increase of $40.6 million over 1986.

In FY 1986, the Administration is proposing a supplemental of $100 million for foster care and adoption assistance and proposes to rescind $46,000,000 from the Work Incentives Program (WIN) and $182,000,000 from the Community Services Block Grant Program.

DEPARTMENT OF EDUCATION

The 1987 budget request for the Function 500 programs for the Department of Education is $15,080 million which is about the same as the amount requested in the 1985 and the 1986 budgets. Many of the proposals within the 1987 request are similar to the proposals made in previous budgets which were largely rejected by the Congress in the appropriations process. Congress exceeded the President's budget for 1985 by $3.3 billion, and for 1986 by $2.9 billion; however, for both years the President signed the appropriations bills into law.

The 1987 budget request is $3.2 billion below the enacted appropriation bill for 1986. This reduction is relatively the same amount proposed for reduction in the two previous budgets for education.

The likelihood of restoring the reduction—as was done previously—is clouded by the unknown impact of the Balanced Budget and Emergency Deficit Control Act.

The 1986 enacted appropriation of $18.4 billion would be reduced by $675 million as a result of automatic cuts mandated by the deficit control Act. Further, the budget proposes rescissions of 1986 appropriations totalling $1.1 billion. The budget is therefore proposing a reduction from the 1986 appropriation of $18.4 billion to $15.1 billion in 1987 over a two-year period.

Elementary and secondary programs.—For Chapter 1 aid to disadvantaged children the budget request is $3,688 million the same amount as the 1986 appropriation. The budget proposes to restore the $159 million sequestered in 1986. Grants to local school districts would be increased slightly over the 1986 level; State educational agency grants would be maintained at 1986 funding, except for the State-operated program for migrant children where the budget shows a reduction of $51 million resulting from a legislative proposal to restrict eligibility for assistance.

Impact aid for "category b" children (those who reside *or* whose parents work on Federal property) would be terminated under the budget proposal. The 1986 appropriation Act included $130 million for "category b" payments, of which $5.5 million is sequestered. Congress has reauthorized "category b" through fiscal year 1988; therefore it is likely that funding for this part of impact aid will be continued.

The Chapter 2 block grant program would be continued at the 1986 appropriation level of $529 million, restoring the $23 million sequestered under Gramm-Rudman.

The budget includes a request of $75 million to support a legislative proposal for a new "Teacher Training and Improvement Act." This proposal replaces the existing science and mathematics education program and the leadership in educational administration program which are funded in the 1986 appropriation Act at $52.5 million combined ($50.2 million after sequestration).

State formula grants for education of handicapped children would be funded at $1,166 million, $79 million below the 1986 enacted appropriation and $26 million below the 1986 level as adjusted by sequestration. State grants for rehabilitation of the disabled would be funded at $1.1 billion, a reduction of $90 million below the 1986 enacted appropriation and $45 million below the 1986 adjusted level. The budget is also proposing an aggregate reduction of $75 million below the enacted 1986 appropriation in research, training, and special projects relating to handicapped children and rehabilitation services programs and $59 million below the 1986 adjusted level.

The budget is proposing reductions aggregating $77 million below 1986 appropriations ($70 million below the 1986 level as adjusted by sequestration) for various programs of elementary and secondary education assistance, such as civil rights training, women's equity, Ellender fellowships, immigrant education, Follow Through, and aid to the territories. Congress in the past has not approved cutbacks or terminations proposed for these programs.

Vocational and adult education.—The amount requested for 1987 for vocational education is $408 million, a reduction of $441 million below the enacted 1986 appropriation. The proposed reduction is comprised of sequestering $37 million and rescinding $210 million in 1986 appropriations; and proposing a further cut of $194 million in 1987. Congress has generally given strong support to vocational education programs over the years.

For adult education, the budget request is $104 million, an increase of $2 million over the 1986 enacted appropriation and $6 million over the adjusted 1986 level. The increase would be used for research and development projects directed to the problem of adult illiteracy.

Higher Education.—Most of the controversy about the education budget request will occur in the area of higher education student assistance not only with the 1987 request but also with 1986 proposals. For student financial aid—grants and direct loans—the budget request is $3,813 million, a reduction of $1,073 million from the 1986 enacted appropriation and $863 million below the Gramm-Rudman adjusted level. For guaranteed student loans the budget request is $2,330 million which is about $1 billion below the amount required to meet the costs under current law.

The budget for student aid is based on legislation which would make major changes in current programs and policy. Such changes include reduced subsidy of direct loans and guaranteed loans, need analyses for all student borrowers, minimum self-help requirement, restricting independent student status, require high school diploma for all aid recipients, and increased cost sharing. The House has already passed a higher education reauthorization bill (H.R. 3700) which bears no resemblance to the Administration's proposal. It is quite likely that a higher education reauthorization bill will not be completed in time for consideration in the 1987 appropriation bill.

The 1986 appropriation for Pell Grants is not sufficient to meet the estimated cost of the program. The amount appropriated of $3,587 million would be reduced by $154 million due to sequestration, which accounts for part of the shortage. However, the Department estimates that the shortage will total $370 million under current estimates. Apparently, the shortage will be covered by reducing student grants under a statutory formula; no supplemental budget is being considered.

The 1987 budget request for Pell Grants of $3,250 million, includes $250 million to partially cover shortages in funding from prior years (1983 to 1985). There would continue to be prior years' shortfall of $240 million which would be covered by borrowing against the 1988 appropriation. The amount of $3 billion included for 1987 is based on a revised Pell Grant program requiring legislation. To carry out current Pell Grant policy would require about $3.5 billion or $500 million over the budget.

For the various programs of assistance to higher education institutions, the budget is proposing reductions from 1986 appropriations aggregating $201 million of which $20 million is derived from 1986 sequestration and $181 million resulted from proposed rescissions. Programs to be terminated in the budget include international education, cooperative education, academic facilities grants, graduate assistance, and college housing loans. Special programs for the disadvantaged (so-called TRIO programs) would be cut from $175 million to $82 million under the budget request. Most of these reductions have been proposed in previous budgets, but have not been approved by Congress.

Other education programs—Library assistance programs would be terminated under the proposed budget. 1986 appropriations for these programs were $127 million. Current funding after sequstration is $122 million. Termination of these programs has been proposed in previous budgets, but Congress had continued to provide funding for library assistance.

Education research and statistics programs would be increased from $60 million in 1986 ($57 million after sequestration) to $70.2 million in 1987.

RELATED AGENCIES

ACTION.—The budget request for the ACTION agency is $149.8 million, a reduction of $1.4 million from the 1986 appropriation but an increase of $5 million over the 1986 level adjusted by sequestration. The VISTA program is reduced by $1,110,000 below the 1986 appropriation in 1987; the older American volunteer programs are maintained at the 1986 appropriation level. The 1986 Gramm-Rudman reductions total $6,496,000.

Corporation for Public Broadcasting.—The budget requests $130 million for public broadcasting for fiscal year 1989. This is a 2-year advance appropriation. The 1988 enacted appropriation is $214 million; a rescission of $44 million is being proposed for 1988. There is presently no authorization to appropriate for 1989. The 1986 and 1987 appropriations were $159.5 million and $200 million, respectively. No rescission is proposed for 1986 or 1987. Furthermore, no Gramm-Rudman reduction was made in 1986 because the entire appropriation has been obligated and disbursed from the Treasury.

Bureau of Indian Affairs.—The request for the education program of the Bureau of Indian Affairs is $251,655,000, a decrease of $17,205,000 from the 1986 appropriation, and a decrease of $5,644,000 from 1986 adjusted for sequestration. There is no request for the Johnson-O'Malley educational assistance program, funded at $23,044,000 in 1986. However, it is proposed to transfer this program to the Department of Education Indian Education program, and to submit legislation at a later date to change the structure of these programs. In return, $11,500,000 of Indian education funds are proposed for transfer to the BIA, for programs for Indian children in BIA schools.

Indian Education.—There is no current FY 1987 request for Indian Education but the Administration is proposing legislation for later transmittal which would provide $75,729,000 to continue the Indian education program at the FY 1986 enacted level. This funding level would be an increase of $11,542,000 over the FY 1986 level adjusted for sequestration and $8,658,000 over the FY 1986 enacted level. The proposed legislation assumes a transfer of the Johnson-O'Malley program from the Bureau of Indian Affairs to Indian Education in conjunction with a transfer of $11,500,000 from Indian Education to BIA as a result of changing the structure of the current Indian Education program.

Smithsonian Institution.—The request for the Smithsonian Institution salaries and expenses account is $190,061,000, an increase of

$13,066,000 over the 1986 appropriation and $20,677,000 over 1986 adjusted for sequestration.

There is no request for the special foreign currency program, compared to $2,485,000 appropriated in 1986. The request for restoration and renovation is $12,828,000, an increase of $1,819,000 over 1986 and $2,292,000 over 1986 adjusted. Included is funding for a modified version of the Freer basement storage area which was not approved in 1986. The request for Zoo construction is $4,851,000, compared to $5,518,000 appropriated and $5,281,000 adjusted in FY 1986. There is a request of $7,500,000 for construction, which includes $4,000,000 for the last increment of the Quadrangle and $3,500,000 for construction at the Tropical Research Institute in Panama.

National Endowment for the Arts.—The request of $144,900,000 is a reduction of $20,971,000 below the FY 1986 appropriation and $13,638,000 below the FY 1986 appropriation adjusted for sequestration.

National Endowment for the Humanities.—The request of $126,440,000 is a reduction of $12,201,000 below the FY 1986 appropriation and $6,239,000 below the FY 1986 appropriation adjusted for sequestration.

Institute of Museum Services.—The request of $330,000 for the Institute of Museum Services allows only for funds to terminate the Institute of Museum Services. The 1987 proposal is similar to requests for 1982, 1983 and 1986 which were rejected by the Congress. The 1986 appropriation is $21,350,000.

Library of Congress.—All the Library of Congress activities except for the Copyright Office and Congressional Research Service are included in this function. At this time, the FY 1987 request of $199,059,000 in budget authority and the estimated $179,993,000 in outlays seem sufficient.

HEALTH

(Function 550)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request					
Requiring authorization	443	0	116	116	
Not requiring authorization	29,088	4,829	25,005	29,834	
Subtotal	29,531	4,829	25,121	29,950	30,016
Supplementals (including outlays from 1986 supplemental)	0	0	0	0	0
Proposed legislation and rescissions	-688	-196	-672	-868	-868
Subtotal, appropriation requests	28,843	4,633	24,449	29,082	29,148
Proposed legislation, not through the appropriation process	0	-880	0	-880	
Permanents, trust funds and revolving funds	6,511	297	6,508	6,805	
Offsetting receipts	-10	0	-10	-10	
President's budget requests	35,344	4,050	30,946	34,997	

Note May not add due to rounding

FUNCTIONAL DESCRIPTION

This function includes those programs that have as their purpose the promotion of the physical and mental health of the Nation's population, including the prevention of illness and accidents. It includes research into the causes and cure of disease; promotion of consumer and occupational health and safety; planning, financing, and provision of medical care; the financing of specialized programs for training of health workers and researchers; and food, drug, and other product safety inspection programs. The major programs included in this function are medicaid, the National Institutes of Health, other health research and education, prevention and control of health problems, and health planning and construction. In addition to the Department of Health and Human Services these programs are administered by the Office of Personnel Management, the Food Safety and Inspection Service of Agriculture, Federal Mine Safety and Health Review Commission, and the Occupational Safety and Health Administration. Excluded from this function are medicare programs.

COMMITTEE VIEWS

The President's FY 1987 Budget requests $33,224 million under the jurisdiction of the Labor, HHS and Education Subcommittee. This includes $6.5 billion advanced in FY 1986 for the Medicaid program. This is a net decrease of $528 million below the amount provided in the 1986 appropriation Act and $166 million below the 1986 appropriation as reduced by sequestration.

Public Health Service.—The FY 1987 Budget includes $7,832 million for programs of the Public Health Service under the jurisdiction of the Labor/HHS and Education Subcommittee. This is $870 million below the level appropriated for FY 1986 for these activities and $512 million below the 1986 amount available after sequestration. This reduction results principally from the decision to eliminate support for health professions (−$224 million) and health planning (−$22 million) and the decision to reduce the level of research at the National Institutes of Health (−$414 million). Similar proposals made in the FY 1986 Budget request were largely rejected by the Congress. Most other PHS activities are funded at the FY 1986 appropriation level. The budget again proposes a new Primary Care Block Grant which would consolidate Federal support for community, migrant and black lung clinics and family planning into a single grant administered through the States. This requires legislation. The 1987 budget also continues the policy of reducing Federal financial support for the National Health Service Corps through reliance on private practice alternatives. The total size of the Corps is anticipated to remain at its FY 1986 level of approximately 3,300.

National Institutes of Health.—The 1987 budget proposes a substantial cutback in appropriations for the National Institutes of Health, well below the actual program level for fiscal year 1985. The total appropriation requested for NIH is $4,936,000,000, compared with the actual program level of $5,505,201,000 which was approved by Congress for 1986. The budget proposes to consolidate all funds related to Acquired Immune Deficiency Syndrome (AIDS) in the Office of the Assistant Secretary for Health. The 1986 level now proposed for NIH reflects sequestering of $230 million and proposed rescissions of $63 million. The 1987 budget will fund a total of 17,889 research grants, including 5,104 competing grants, compared with a total of 18,357 grants, including 6,246 competing, in 1985 and 18,776 grants, including 6,100 competing, approved by Congress for 1986. The 1987 budget allocates a total $447,222,000 for 523 research centers. This compares with $472,611,000 obligated for the support of 533 centers in 1985, and $487,829,000 approved by Congress for the support of 536 centers in 1986. For the training of researchers, the 1987 budget would provide $198,204,000 for support of 9,128 trainees, compared with 10,624 supported in 1985, and 10,372 who would have been supported under the 1986 appropriation. The budget further proposes to reduce staffing at NIH from 13,108 in 1985 to 12,649 in 1986 and 1987. The budget assumes savings in indirect costs of research through modification of OMB Circular A-21.

Acquired Immune Deficiency Syndrome.—The President's budget includes a request for $203,482,000 for activities related to acquired immune deficiency syndrome, AIDS. This is $30,870,000 less than the comparable amount appropriated in FY 1986 and $20,793,000 less than the amount available after sequestration. The budget consolidates AIDS funding in a single account under the Office of the Assistant Secretary for Health rather than in numerous different accounts of the Department. The budget proposes to reduce AIDS funding in 1986 by $51 million of which $10,077,000 is through Gramm-Rudman sequestering and $41,075,000 is through rescission of funds for what the budget refers to as lower priority or inappropriate activities. These figures do not include $10 million provided in 1986 on $10 million requested for 1987 for the Food and Drug Administration considered in the Agriculture appropriations bill.

Grants to States for Medicaid.—The Budget requests $24,708 million in FY 1987 for Grants to States for Medicaid, including funds advanced in prior years. This is an increase of $810 million over the 1986 comparable appropriation. Legislative savings of $1,172 million are assumed in the Medicaid request through language which would cap Federal support for both services and administrative costs. In FY 1986, Congress rejected these proposals.

FY 1986 Rescissions.—The President's budget transmits $317 million of rescission requests. The most controversial of these are:

Health professions assistance	-152,000,000
Health planning	-22,000,000
Mental health demonstrations	-20,000,000
Mental health clinical training	-19,000,000
National Institutes of Health	-63,000,000
Acquired immune deficiency syndrome	-41,000,000

FY 1986 Sequestration.—The budget documents confirm the sequestration of $362 million of Function 550 funds appropriated for FY 1986. This includes $230 million in biomedical research at the National Institutes of Health and $10 million for Acquired Immune Deficiency Syndrome.

Indian Health Service.—The request for the Indian health services account is $722,378,000, which includes $2,450,000 for facilities modernization and repair. If this amount is excluded for comparability, the request is $719,928,000, a decrease of $98,266,000 from the 1986 appropriation and $87,837,000 from 1986 adjusted for sequestration. In addition, the Administration is requesting a 1986 rescission totaling $62,904,000, which includes $24,262,000 from this account. If this were enacted into law, the 1986 base would be only $783,503,000, and the 1987 request would still be a reduction of $63,575,000. The request also assumes total collections of $76,700,000, which will be applied to the programs. These estimates of collections have been overstated, usually by at least a third, in the past. Three programs are proposed for elimination, as in previous years: community health representatives ($25,844,000); urban health projects ($9,741,000); and tribal management ($1,988,000). The largest reductions are in hospitals and health clinics (−$23,984,000); contract health care (−$32,040,000); and direct operations (−$4,188,000). To maintain the 1986 program level would require a minimum of an additional $100,000,000 in budget authority. This would not provide for the increased costs of health care.

As noted before, the only request for facilities is the $2,450,000 for modernization and repair projects, included in the services account. The proposed rescission includes $38,642,000 in the facilities account. The 1986 appropriation was $46,665,000. A comparable amount would be required in FY 1987 to continue ongoing construction, including the provision of sanitation facilities for Indian homes under construction or renovation.

FOOD AND DRUG ADMINISTRATION AND FOOD SAFETY AND INSPECTION SERVICE

There continues to be a great deal of congressional interest in the scope of the activities of these agencies. In fiscal year 1986,

$362.0 million was appropriated for the Food Safety and Inspection Service. Although the budget request for fiscal year 1987 is $365 million, it also includes a legislative proposal to fund FSIS 100 percent by user fees.

For the Food and Drug Administration the budget requests $421,747,000 in budget authority, an increase of $2,126,000. The budget is based on a program level of $449.4 million, a difference of $25.8 million to be made up from user fees for which FDA presently has no authority to collect. If Congress rejects the user fee proposal as it has in the past, FDA funding will have a current services shortfall of the user fee amount.

MEDICARE

(Function 570)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request					
Requiring authorization	0	0	0	0	
Not requiring authorization	20.357	0	22.120	22.120	
Subtotal	20,357	0	22.120	22.120	22,046
Supplementals (including outlays from 1986 supplemental)	0	-2	0	-2	-2
Proposed legislation and rescissions	-1.299	0	-1,299	-1.299	-1,180
Subtotal, appropriation requests	19,058	-2	20,821	20,819	20,864
Proposed legislation, not through the appropriation process	136	-7	-1,644	-1,651	
Permanents, trust funds and revolving funds	90,419	48.533	29,880	78,413	
Offsetting receipts	-27,348	0	-27,348	-27,348	
President's budget requests	82,265	48,524	21.709	70,234	

Note May not add due to rounding

FUNCTIONAL DESCRIPTION

This function consists of Hospital Insurance, Supplementary Medical Insurance and premiums and collections.

COMMITTEE VIEWS

The President's budget includes $20,537 million under current law, for mandatory subsidies to the Medicare Supplemental Medical Insurance trust fund. The budget also includes a legislative proposal to reduce the cost of this entitlement by $1,299 million. This payment currently supports approximately 75% of the cost of the Medicare part B program. The budget proposes to decrease this subsidy to 65% over the next 5 years through increases in enrollee premiums.

The 1986 budget transmits a major proposal to reduce the cost in the basic Medicare program by more than $7 billion through a combination of regulatory and legislative actions. These reductions include both lower payments to providers and increased cost sharing by beneficiaries. These proposals do not offset appropriations and will be considered by the authorizing committees. No final decision has been made on the FY 1987 adjustment in hospital payment rates for Medicare. Notwithstanding these proposals to reduce costs, Medicare expenditures are expected to rise from $68.7 billion in 1986 to $70.2 billion in 1987.

There is no reference in the FY 1987 budget to the President's proposal for a catastrophic health insurance initiative under Medicare announced in the President's State-of-the-Union address.

INCOME SECURITY

(Function 600)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request					
Requiring authorization	2,100	0	1,861	1,861	
Not requiring authorization	36,918	13,176	36,927	50,103	
Subtotal	39,018	13,176	38,788	51,964	51,988
Supplementals (including outlays from 1986 supplemental)	0	0	0	0	0
Proposed legislation and rescissions	−314	−1,758	−314	−2,073	−291
Subtotal, appropriation requests	38,704	11,417	38,474	49,891	51,697
Proposed legislation, not through the appropriation process	2,938	−210	−453	−663	
Permanents, trust funds and revolving funds	122,587	7,424	72,638	80,062	
Offsetting receipts	−10,914	0	−10,914	−10,914	
President's budget requests	153,315	18,631	99,745	118,375	

Note May not add due to rounding

FUNCTIONAL DESCRIPTION

This function includes payments to persons for which no current service is rendered by recipients, such as retirement (excluding military retired pay), disability, unemployment, and welfare payments and associated administrative costs. Also included are the food stamp, special milk, and child nutrition programs; both Federal and trust unemployment compensation and workmen's compensation; public assistance cash payments; benefits to the elderly and to coal miners; low- and moderate-income housing assistance; and low-income energy assistance.

This function includes such retirement and disability programs as railroad retirement, special benefits for disabled coal miners, and federal employee retirement disability.

These programs are administered by the Department of Health and Human Services, HUD, Agriculture, Labor, and the Office of Personnel Management.

Excluded from this function are financial assistance for educational purposes, child care services, vocational and manpower training and vocational rehabilitation services and stipends, medical care (whether cash or in kind), subsidies to business (such as farm price supports) even though they may end up as income to persons, and income security programs restricted to veterans and their dependents.

Also excluded from this function are the social security programs which include the old-age and survivors insurance and disability insurance.

COMMITTEE VIEWS

DEPARTMENT OF LABOR

All of the Function 600 activities of the Department of Labor are for entitlement activities where payments are mandated by law.

These include principally the Black Lung program, unemployment and workers' compensation benefits for Federal workers and advances to the unemployment trust fund. The FY 1987 request includes $1,663 million for these programs, a decrease of $84 million below the FY 1986 amount. In addition, trust fund transfers are proposed totalling $2.5 billion, the same as in 1986.

An appropriation of $413 million will be required in 1987 to make advances to the Black Lung Disability Trust Fund. Legislation will be proposed to raise the coal excise tax to provide increased income to $221 million to the Black Lung Disability Trust Fund, thereby reducing the requirement for advances by that amount. The total for black lung benefit payments is expected to decrease slightly in 1987; Federal employees workers compensation payments will remain at about the same amount as 1986.

A $10 million increase is requested for the Unemployment Trust Fund administrative limitation to expand research into alternative uses of unemployment compensation.

The unemployment rate is estimated to be 6.8% in 1986 and 6.6% in 1987. Unemployment benefit payments from the Unemployment Trust fund are estimated at $15.1 billion, an increase of $.3 billion over 1986. The trust fund is expected to have a $2.1 billion excess of income over outgo in 1987.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

The President's FY 1987 budget requests $23,048 million for Function 600 activities administered by the Department of Health and Human Services. The bulk of the funds for income security fall in the entitlement category, and include Supplemental Security Income, Assistance Payments (AFDC), Child Support Enforcement, and Special Benefits for Disabled Coal Miners. The budget authority proposed for these entitlement programs in 1987 is $20,431 million.

The budget request for the Assistance Payments account assumes enactment of legislation which would reduce costs in the AFDC program by $237 million. The most controversial element of this is a renewed proposal for the mandatory work fare program for adult welfare recipients. In addition the budget proposes reductions in Federal assistance for the refugee program totalling $66 million below enacted appropriations and $35 million below the amount available after sequestration. The proposal would eliminate the support of refugee educational and training programs beginning in FY 1987. In addition the budget proposes to consolidate Federal support for refugees from other accounts into the refugee appropriation. The authorization for the refugee and entrant assistance program expired in FY 1984. It is essential that authorization of this program be completed prior to Committee action on the FY 1987 request.

For Low Income Energy Assistance, the Budget requests $2,100 million, the same amount appropriated in FY 1986 and an increase of $90 million over the amount available after sequestration. This program also lacks authorization for FY 1987.

There is no discussion in the budget of the welfare reform initiative announced in the President's State-of-the Union address.

The budget proposes an FY 1987 staffing level of 73,270 FTE's for the Social Security Administration. This is a reduction of 4,079 FTE's from the level approved by Congress for 1986. This is an issue which the Committee and the Congress as a whole are concerned about and it will have to be reviewed carefully. Social Security administrative costs are reduced by $144 million under Gramm-Rudman but would increase by $163 million in FY 1987 under the President's proposal for a total of $4,011 million.

RAILROAD RETIREMENT—DUEL BENEFIT PAYMENTS

The 1987 budget request of $255,880,000 assumes enactment of proposed legislation that would transfer an additional $96,000,000 to this account from the railroad retirement trust fund. This would be through the imposition of a new payroll tax. However, the Railroad Retirement Board estimates that monthly benefit payments would be reduced by 7.4 percent from the level required to fully fund them. If the proposed legislation is not enacted, this account will be at least $96,000,000 short.

NUTRITION PROGRAMS

For fiscal year 1987 the budget recommends total obligational authority of $17.5 billion for the Income Security category, compared with $18.4 billion appropriated for this category in fiscal year 1986.

The budget request assumes timely passage and implementation of several legislative proposals. The Committee is not in a position to speculate on what changes will be made in the laws authorizing the domestic feeding programs, or what any changes that are enacted may cost or save. The budget must be considered deficient by the full amounts of proposed savings. Legislative proposals account for estimated savings of $775 million in the child nutrition programs, $350.3 million in the food stamp program, and $11.7 million in the special milk program.

The Committee will explore these programs in-depth during the upcoming hearings in the hope that savings can be achieved. The Committee would point out that many of the proposed changes in these programs have been rejected by the Congress in the past. Therefore, contingencies are identified in amounts equal to the proposed legislative changes, transfers, and program reductions identified in the budget.

In addition, the feeding program for women, infants and children (WIC) will likely require additional funds to meet the participant caseload, as well as to cover increases in food prices.

Therefore, the budget may be understated by $1.2 billion in budget authority and a corresponding amount in outlays for these essential nutrition programs.

HOUSING PROGRAMS

The Department of Housing and Urban Development is not requesting any funds for the assisted housing programs in fiscal year 1987. It is planned to utilize approximately $2,300,000,000 deferred from fiscal year 1986 for the fiscal year 1987 program. The "current services" rate for assisted housing in fiscal year 1987 is

$10,522,000,000. The current rate for assisted housing, after the application of Gramm-Rudman sequestration, is $9,537,086,647. The Committee is recommending that funding for assisted housing in fiscal year 1987 be provided at a level between the current rate and the current services.

The fiscal year 1987 request for operating subsidies is $1,171,543,000. The "current services" rate for operating subsidies in fiscal year 1987 is $1,204,000,000. The current rate for operating subsidies, after the application of Gramm-Rudman sequestration, is $1,158,544,000. The Committee is recommending the "current services" rate of $1,204,000,000 for operating subsidies in fiscal year 1987.

SOCIAL SECURITY

(Function 650)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	0	0	0	0	
Not requiring authorization	501	0	2,954	2,954	
Subtotal	501	0	2,954	2,954	2,928
Supplementals (including outlays from 1986 supplemental)	0	0	0	0	0
Proposed legislation and rescissions	0	0	0	0	0
Subtotal, appropriation requests	501	0	2,954	2,954	2,928
Proposed legislation, not through the appropriation process	317	0	0	0	
Permanents, trust funds and revolving funds	234,076	42,238	174,043	216,281	
Offsetting receipts	– 7,023	0	– 7,023	– 7,023	
President's budget requests	227,871	42,238	169,974	212,213	

Note: May not add due to rounding

FUNCTIONAL DESCRIPTION

Appropriations in this function consist of interfund payment from general funds into the Social Security Trust Funds to compensate the funds for costs incurred not financed by payroll deductions. These relate primarily to military service credits for current members of the armed forces. This function also includes trust fund receipts and outlays as permanent budget authority.

COMMITTEE VIEWS

The President's FY 1987 Budget requests $501 million for the Payments to Social Security Trust Funds. The Budget anticipates a full 3.7% cost of living increase for Social Security retirees payable on January 1, 1987. For bookkeeping purposes only the finances of the Social Security Trust Funds are shown outside of the Federal Budget.

VETERANS BENEFITS AND SERVICES

(Function 700)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	43	0	0	0	
Not requiring authorization	25,663	3,403	22,576	25,980	
Subtotal	25,706	3,403	22,577	25,980	25,968
Supplementals (including outlays from 1986 supplemental)	0	27	0	27	19
Proposed legislation and rescissions	278	0	247	247	259
Subtotal, appropriation requests	25,983	3,430	22,824	26,254	26,227
Proposed legislation, not through the appropriation process	−342	−132	−197	−329	
Permanents, trust funds and revolving funds	1,983	1,263	154	1,417	
Offsetting receipts	−922	0	−922	−922	
President's budget requests	26,702	4,561	21,859	26,420	

Note: May not add due to rounding

FUNCTIONAL DESCRIPTION

This function consists of programs providing benefits and services, the eligibility for which is related to military service but which are not an integral part of national defense. It includes veterans service-connected compensation; non-service-connected pensions; readjustment benefits; housing; and medical care programs.

COMMITTEE VIEWS

The Budget requests $38.5 million for the Soldiers' and Airmen's Home, which is a $10 million decrease from the amount available in FY 1986.

VETERANS ADMINISTRATION

The Veterans Administration is requesting appropriations totalling $25,945,061,000 in fiscal year 1987. The "current services" level for VA in fiscal year 1987 is $26,509,096,000. The current rate for VA if $26,230,374,000. The Committee is recommending the "current services" level of $26,509,096,000.

ADMINISTRATION OF JUSTICE

(Function 750)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request					
Requiring authorization	4,095	0	3,188	3,188	
Not requiring authorization	2,902	1,223	2,547	3,770	
Subtotal	6,997	1,223	5,735	6,958	7,073
Supplementals (including outlays from 1986 supplemental)	0	3	0	3	3
Proposed legislation and rescissions	10	-67	4	-63	-64
Subtotal, appropriation requests	7,007	1,159	5,739	6,899	7,012
Proposed legislation, not through the appropriation process	0	0	0	0	
Permanents, trust funds and revolving funds	112	47	3	50	
President's budget requests	7,119	1,207	5,742	6,948	

Note May not add due to rounding

FUNCTIONAL DESCRIPTION

This function includes those programs designed to provide judicial services, police protection, law enforcement (including civil rights), rehabilitation and incarceration of criminals, and promotion of the general maintenance of domestic order. The major programs and agencies administering this function include the Justice Department, the Federal Judiciary, Commission on Civil Rights, Legal Services Corporation and the Department of Treasury.

COMMITTEE VIEWS

DEPARTMENT OF JUSTICE

The fiscal year 1987 budget request for the Department of Justice reflects an increase of $518,451,000 above the level anticipated for fiscal year 1986 after sequestration and including proposed rescissions and a program supplemental. This amount reflects substantial program increases for the FBI for the Foreign Counterintelligence Program, general support staffing, ADP equipment, a voice privacy radio initiative and technical research and development; for the Federal Prison System for new construction and expansion and modernization of existing institutions; for DEA for strengthening domestic enforcement programs, ADP equipment, intelligence and other support services; for INS for enhancement of information systems; for the litigating divisions and the U.S. Attorneys for strengthening litigation resources and automated support;

and for the U.S. Marshals for enhancement of Organized Crime Drug Enforcement Task Force activity, the debt collection initiative and other support costs. In addition, the budget request reflects increases in Justice Department accounts for built-in cost increases as well as reductions for management and productivity savings. The increases are also offset in part by the elimination of the Juvenile Justice and Delinquency Prevention Program (−$64,693,000), State and Local Assistance Grants to States (−$48,520,000), the Mariel Cuban Program (−$4,785,000) and the Regional Information Sharing Systems grants (−$9,474,000). The President's budget proposes that these programs be eliminated initially through fiscal year 1986 rescissions. All of these proposals will bear close examination in light of the fact that the Congress restored funding for these programs when similar proposals for termination or reduction were made in each of the last five years.

LEGAL SERVICES CORPORATION

By law, the Legal Services Corporation submits its budget directly to the Congress. The Corporation has requested $305,500,000 for fiscal year 1987, the same amount that was appropriated for fiscal year 1986. The fiscal year 1987 budget request reflects restoration of the $13,137,000 Gramm-Rudman reduction. While the Corporation's budget document is notably lacking in details, it would appear that reductions from the appropriated levels will be proposed for basic field programs and support programs in order to provide increases for program development, the supplemental service program, and Corporation management. For the sixth consecutive year the President's budget includes no estimate for the Corporation and assumes termination of the program. The Committee will review this matter closely in light of the fact that Congress has restored funding for the Legal Services Corporation in each of the five previous fiscal years.

THE JUDICIARY

The fiscal year 1987 budget request for the Judiciary reflects an increase of $190,480,000 above the level anticipated for fiscal year 1986 after sequestration and including proposed supplementals. This amount reflects substantial program increases primarily for 1,403 additional supporting personnel for U.S. District and appellate courts (e.g., deputy clerks and probation personnel) to handle increased caseloads and for expansion of ADP systems. In addition, the requested increase reflects built-in cost increases including GSA rental charges, salary adjustments and other support costs for all of the Federal courts.

U.S. CUSTOMS SERVICE

The budget request for the U.S. Customs Service proposes a reduction of over 1500 positions for 1987. This proposed reduction could have a significant adverse effect on the government's ability to interdict the flow of illegal drugs and other contraband into the country, as well as on its ability to prevent the illegal exportation of high technology items to unfriendly countries. The committee recommends adding $100 million to restore the proposed reduction. The other bureaus in Treasury appear to be funded at minimal but adequate levels for FY 1987.

GENERAL GOVERNMENT

(Function 800)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	63	0	59	59	
Not requiring authorization	11,739	705	10,910	11,614	
Subtotal	11,802	705	10,969	11,674	11,670
Supplementals (including outlays from 1986 supplemental)	0	31	0	31	83
Proposed legislation and rescissions	–1	0	–4	–4	1
Subtotal, appropriation requests	11,801	736	10,966	11,702	11,755
Proposed legislation, not through the appropriation process	–503	0	–503	–503	
Permanents, trust funds and revolving funds	12,463	–185	12,620	12,436	
Offseting receipts	–17,574	0	–17,574	–17,574	
President's budget requests	6,186	551	5,509	6,060	

Note: May not add due to rounding

FUNCTIONAL DESCRIPTION

This function includes the general overhead costs of the Federal Government including legislative and executive activities; provision of central fiscal personnel and property activities; and the provision of services that cannot reasonably be classified in any other major function. As a normal rule, all activities reasonably or closely associated with other functions are included in that function rather than listed as a part of general government.

Included in this function are the Legislative Branch, the White House and Executive Office of the President, the Internal Revenue Service and other fiscal management activities of the Treasury Department; the general property, supply operation, and records management activities of the General Services Administration; federal personnel management activities of the Office of Personnel Management; territories and possessions; and claims and judgments.

COMMITTEE VIEWS

Territorial and International Affairs.—The request for the Administration of Territories is $71,529,000, a decrease of $8,365,000 from 1986 enacted and $4,930,000 from 1986 adjusted for sequestration. The request for covenant grants to the Northern Marianas is increased by $8,810,000, under the new multi-year agreement. This is partially offset by elimination of other construction grants, funded at $3,187,000 in 1986.

Trust Territory of the Pacific Islands.—The request for the Trust Territory is $13,050,000, a decrease of $66,840,000 from the 1986 appropriation and $63,405,000 from 1986 adjusted for sequestration. All line items are reduced with the exception of the grant to Palau, which is $10,600,000, an increase of $63,000 over 1986. Grants to the FSM and the Marshall Islands are eliminated, because of the Compact funding. There are no requests for construction, although the three capitols remain to be completed. There is also no funding requested to continue the Bikini resettlement effort, funded at $1,739,000 in 1986.

Compact of Free Association.—The request for the Compact of Free Association is $27,920,000. Initial funding of $178,750,000 is requested in a supplemental appropriation in FY 1986, which includes a one-time payment of $150,000,000. The total amount to be provided in FY 1987, including permanent authority, is $144,270,000.

Navajo and Hopi Indian Relocation Commission.—The FY 1987 estimate is $22,335,000, an increase of $940,000 over the FY 1986 level adjusted for sequestration, yet a decrease of $21,000 under the FY 1986 appropriation. The FY 1987 estimate provides for a continuation of the FY 1986 program level. The President's Budget does not request additional money for construction or development of homes on the new lands, a necessary step in completing relocation.

Legislative Branch.—The general housekeeping programs of the Federal Government, including legislative and legislative-support activities, are included in this function. Included are the budgets for the House and Senate, other joint items, the Congressional Research Service, Office of Technology Assessment, Congressional Budget Office, the Biomedical Ethics Board, the General Accounting Office, Government Printing Office, and the Architect of the Capitol. The appropriation request for fiscal year 1987 budget authority is $1,639,383,000; outlays are estimated at $1,659,822,000. A budget request for the Bio-Medical Ethics Board has not yet been received.

GENERAL PURPOSE FISCAL ASSISTANCE

(Function 850)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	0	0	0	0	
Not requiring authorization	677	0	677	677	
Subtotal	677	0	677	677	678
Supplementals (including outlays from 1986 supplemental)	0	0	0	0	0
Proposed legislation and rescissions	0	−760	0	−760	−760
Subtotal, appropriation requests	677	−760	677	−83	−82
Proposed legislation, not through the appropriation process	−225	0	−225	−225	
Permanents, trust funds and revolving funds	1,328	811	1,274	2,085	
Offsetting receipts	−38	0	−38	−38	
President's budget requests	1,742	51	1,688	1,739	

Note: May not add due to rounding.

FUNCTIONAL DESCRIPTION

This function includes Federal aid to State, local, and territorial governments that is available for general fiscal support or for distribution among programs involving two or more major budgetary functions when the distribution among those functions is at the discretion of the recipient jurisdiction. It includes payments in lieu of taxes, broad-purposes shared revenues, General Revenue Sharing, the Federal payment to the District of Columbia, and payments to States of receipts from the Forest Service and land management activities of the Department of the Interior. In addition, the Department of Treasury returns to Puerto Rico and the territories certain Federal taxes and other revenues collected there.

COMMITTEE VIEWS

DISTRICT OF COLUMBIA

The President's fiscal year 1987 budget includes a total of $560,380,000 in budget authority and outlays from Federal funds for the District of Columbia government. This request reflects an increase of $30,353,000 above the amounts available in FY 1986 after sequestration.

The President's request includes a Federal payment of $444,500,000 which reflects an increase of $19,500,000 above the fiscal year 1986 appropriation and will require legislation to raise the ceiling from the present $425 million level set in Public Law 98-316.

It should be noted that these Federal funds represent only a portion of the District's total fiscal year 1987 budget which is not scheduled to reach Congress until April 15 in accordance with section 113 of the District's fiscal year 1986 appropriations act (H.R. 3067) enacted into law by reference in Public Law 99-190. The District government is required by statute to have a balanced budget with revenues sufficient to cover anticipated expenditures. A careful review and analysis of the District's total budget will be required before any changes can be recommended by the Committee in the level of Federal funds for the District government.

With the limited information available at this time concerning the District's budget proposals, the Committee suggests that the levels requested in the President's fiscal year 1987 budget be assumed as appropriate levels for Federal funds to the District of Columbia government.

Interior Programs

Payments-In-Lieu-of-Taxes.—The Administration is requesting $105,000,000, the full amount under current law, an increase of $5,118,000 over the fiscal year 1986 level adjusted for sequestration.

Payments to States from Receipts Under Mineral Leasing Act.—As in past years the Administration is proposing sharing net rather than gross mineral leasing receipts with the States. This has been agreed to by the House the past four years but has been rejected by the Senate and the Conferees.

The Administration is proposing a supplemental request of $800,000 for late interest due to States and Indian allottees.

GENERAL REVENUE SHARING

The Administration is not requesting any funds for the General Revenue Sharing program in fiscal year 1987. The fiscal year 1986 appropriation for General Revenue Sharing payments is $4,185,000,000 before the proposed sequestration of $179,955,000. The 1986 Congressional Budget Resolution called for the termination of this program after fiscal year 1986 and the conference agreement on the Consolidated Omnibus Reconciliation Act included language repealing the Revenue Sharing Act. In addition, the program must be reauthorized in fiscal year 1987. Therefore, the Committee will consider future funding after enactment of such legislation.

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U.S. House of Representatives
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Washington, DC 20515
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February 25, 1986

Honorable William H. Gray, III
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

On behalf of the Committee on Armed Services and pursuant to section 301(c) of the Budget and Impoundment Control Act of 1974, as amended, I am forwarding the views of the committee regarding the budget for National Defense (function 050) for fiscal year 1987.

Because of the schedule mandated by P.L. 99-177, which resulted in later than usual submission of the fiscal year 1987 budget and which requires that the committee report its views on the budget at an earlier date than in the past, the committee has only just begun its planned hearings on the authorization request for fiscal year 1987. In addition there is substantial uncertainty about the budget level for fiscal year 1986 as a result of the recent court decision concerning the Gramm/Rudman sequester. As a result the committee can offer only the most general and preliminary comments at this time.

For fiscal year 1987 the President's budget would provide $320.3 billion in budget authority for the national defense function, an increase of nearly 8 % over appropriations enacted last year and an increase of 12 % over the amount of appropriations available after the Gramm/Rudman sequester. It should be noted, however, that the request represents a decrease from the request submitted last year of $322.2 billion and a decrease from the $323.4 billion included in the budget resolution last year for fiscal year 1987.

The budget includes estimated outlays in the defense function of $282.2 billion, an increase of about 6 % over the outlays estimated in the budget for 1986. The committee notes that the Congressional Budget Office has estimated outlays in the defense function for 1987, assuming the President's requested level of budget authority, somewhat higher than the estimate in the budget. Under the CBO estimate outlays under the President's request would increase more that 11 % in fiscal year 1987.

The passage of the Gramm/Rudman deficit reduction legislation last year introduces a very substantial uncertainty and instability into the budget process, including the budget for defense. Under Gramm/Rudman there is the possibility that an estimate prepared by unelected officials just before the beginning of the fiscal year will trigger budget reductions, despite the best efforts of the Congress to meet budget reduction targets. The committee recognizes that the development of a budget resolution will be difficult under Gramm/Rudman. The committee is prepared to work with the Budget Committee in developing a budget that will provide for the national defense within the budget resources available.

In its reports to the Budget Committee in past years the committee has emphasized the importance of stability in the planning for national defense. The elements that shape the requirements for expenditures for national defense--the world-wide interests of the United States and actions of potential adversaries-- generally change very slowly. The large scale and long term procurement that are typical in the defense budget cannot be efficiently carried out in an unstable budget environment. Similarly, rapid increases or decreases in the numbers of milicary personnel reduce the average quality of the force and increase costs.

The committee notes that the NATO allies in 1977 made a commitment to 3 % annual real growth in defense allocations as a reasonable and responsible goal. That commitment has been reaffirmed in subsequent years and the United States has met the 3 % goal in each year. Although there is always room to debate the adequacy of input measures when the goals are actually outputs, the Committee on Armed Services notes that the 3 % goal has been adopted by NATO and that many Members of Congress have criticized those NATO allies that have failed to achieve this goal. We believe that the Budget Committee should keep the NATO goal and its foreign policy implications in mind as it considers a suitable level for function 050.

The President's budget for the national defense function for fiscal year 1986 assume a military pay raise of 4 %, effective October 1, 1986. The committee has not yet considered the appropriate level or timing of a pay raise for military personnel during fiscal year 1987. However, a pay raise in fiscal year 1987 for military personnel may be necessary in order to avoid adverse effects on recruiting and retention of personnel. The budget totals also assume a civilian pay raise of 3 % effective in January 1987. Any change in the timing or amount of that pay raise would affect the budget for national defense.

The President's budget assumes the enactment of legislation authorizing the sale of materials during fiscal year 1987 with a value of $250 million from the National Strategic Stockpile. The President's proposal is based on an Administration study that concluded that present stockpile levels are in excess of defense needs--a result that contradicts a number of previous studies. The committee has requested the General Accounting Office to review the Administration study and the review is not expected to be completed for some months. In the interim the committee does not anticipate acting to authorize further stockpile sales.

The President's budget also assumes the repeal of the recently enacted G.I. bill for an assumed savings of $231 million. The committee does not anticipate reversing its decision on this important personnel program.

I appreciate the opportunity to provide the views of the committee.

Sincerely,

Les Aspin
Chairman

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February 25, 1986

Honorable William H. Gray, III
Chairman
Committee on the Budget
U. S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to Section 301(c) of the Congressional Budget Act of 1974, I am pleased to submit for the House Budget Committee's consideration the recommendations of the Committee on Education and Labor with regard to the fiscal year 1987 Federal Budget as it relates to programs and activities within the jurisdiction of the Committee, together with Minority and individual views.

With best wishes,

Sincerely,

Augustus F. Hawkins

Augustus F. Hawkins
Chairman

Enclosure

VIEWS AND ESTIMATES
OF THE
COMMITTEE ON EDUCATION AND LABOR
ON THE
BUDGET OF THE U.S. GOVERNMENT FOR FISCAL YEAR 1987

FEBRUARY 1986

INTRODUCTION

The Committee on Education and Labor concludes that the Administration's Fiscal Year 1987 budget submission does not adequately address the problems the Nation confronts.

The Administration Budget: Overview

The Presidents' FY 1987 budget promises more of the same. It proposes deep cuts in domestic programs and increases in the defense budget. The Administration's claim that its budget exempts the poor from further cuts is belied by the facts. The budget would cut every major entitlement program and many discretionary programs targeted to low-income people. Several of the most severely affected programs are under the jurisdiction of the Education and Labor Committee.

If the President's budget is adopted, two key components of the Job Training Partnership Act--Job Corps and Summer Youth Employment--will be reduced by between 43 and 48 percent, respectively from their 1985 levels.

The Administration also slates the Community Service Block Grant and the Work Incentive Program for extinction.

In spite of the fact that Congress voted overwhelmingly last year to reject further cuts in Child Nutrition, the President has again proposed reductions in the program. Similarly, the Administration has proposed deep cuts in postsecondary education options rejected by the House in the context of reauthorization of the Higher Education Act.

Education

The Administration proposes to reduce the Department of Education Budget by some $3.2 billion, or 17 percent, from the level appropriated in Fiscal Year 1986. It makes three arguments for these cuts. First, that the federal share of all education spending is only about seven percent of total spending at all levels and that any cut is assumable by states and localities. This obscures several important trends.

The direct Federal contribution, as well as indirect funding, in such states as Arkansas, Hawaii, Kentucky, Mississippi, New Mexico, South Carolina, South Dakota, Tennessee, and the District of Columbia exceeds 10 percent. Further, the Federal contribution in school districts from Birmingham to Newark, from Norfolk to Corpus Christi, and from St. Landry Parish, Louisiana, to Berkeley County, South Carolina, exceeds 15 percent.

Second, the Administration argues that the Federal cuts will not result in a reduction of services. In the higher education area, however, the American Council on Education estimates that more than 3 million grants, loans, or other stipends will disappear if the Administration's proposed changes are adopted.

In his State of the Union address, the President suggested that the Federal budget should be run more like a family budget and that in the process of reducing the deficit, the family budget should be spared. Yet, the only alternative the President offers to college students and their families is greater indebtedness at higher interest rates. In fact, the President seems intent on forcing more and more families into deficit spending.

Finally, the Administration contends that states, localities, or corporate philanthropy, will make up for Federal cuts. Previous experience has shown that this is not the case. There is no reason to assume that states, localities, or corporations will fully fill the void left by Administration budget cuts.

Job Training

In the face of persistent teenage unemployment, the Administration proposes to gut the Job Corps and to significantly reduce funding for Summer Youth. It does propose a one-time supplemental in FY 1986 for the Dislocated Worker program but in FY 1987 would fund the program at only $100 million.

It should be noted, however, that as recently as Fiscal Year 1985, the Dislocated Worker program was funded at $222.5 million. The one-time supplemental would still be 22 percent below the funding level of two years ago.

A study by the Office of Technology Assessment indicates the problems of dislocated workers. It found that 11.5 million workers lost jobs because of plant shutdowns or relocations between 1979 and 1984. Only 60 percent of them, however, found new jobs. The study also noted that a large proportion of the displaced workers were middle aged people in manufacturing jobs "with long and stable job histories." Some 45 percent of those who found new jobs had taken pay cuts and two-thirds of them were earning less than 80 percent of their former income.

The report also notes that, while "large numbers of adults lack adequate skills in reading, writing, mathematics, problem solving and communication," remedial education is a low priority in most Title III programs. Those with poor skills will be forced into low-paying jobs.

The OTA report emphasized that effective strategies to combat potential, and actual, dislocation "probably would mean higher total JTPA spending, despite the low cost per worker, because of greatly increased participation."

Contrary to the Administration's view that the economic recovery will solve such problems, the OTA concludes that, "the need for services ... does not vanish .... There is a continuing need for displaced worker services in an economy that is changing as rapidly as that of the United States."

The Administration's efforts in this area are inadequate.

The Administration trumpets its economic recovery. In his State of the Union address, the President recalled "locked factory gates and long gasoline lines, intolerable prices and interest rates ...." But factories are still closing, oil workers are lining up for unemployment insurance, interest rates and unemployment are still high by historical standards, and it took the worst recession in 50 years to break the inflationary spiral.

The rising tide does not lift all boats. Census data show that the gap between rich and poor in America is greater than at any time since World War II.

In 1984, the wealthiest 40 percent of U.S. families received more than two-thirds of the national income (their largest share since 1947) while the poorest 40 percent (those with incomes below $21,700) received only 15.7 percent of the national income (their smallest share since 1947).

The data further show that this trend has become more pronounced since 1980. For example, if the shares of national income had not changed between 1980 and 1984, the poorest 20 percent of all families would have received an additional $8 billion. The wealthiest 20 percent would have received $25 billion less. According to the Urban Institute, "... those in the bottom two-fifths have actually lost all the ground they had gained over the two preceding decades."

The Committee Alternative

The Committee recommends that we fund our human capital programs at levels that prevent further deterioration. Thus, the Committee urges the House Budget Committee to give education, training, and social services the highest priority. Most programs deserve to be funded well above current service levels. Because of the Committee's concern about the deficit, however, it has chosen only a few programs for which it recommends funding above current service levels. We limit ourselves reluctantly, recognizing that the option of providing services which more adequately address demonstrated needs is not possible in the current climate of fiscal austerity.

The Nation cannot continue to slight education, job training, and social services directed to the poor and working poor merely to achieve arbitrary, and potentially counterproductive deficit reduction targets. We pay a price for our shortsightedness and that cost will increase. Human capital is no different from steel and mortar. Unless it is maintained properly, it will erode. We can patch and mend; but all we do is postpone the day of reckoning. (See Table #1.)

The Committee acknowledges the desirability of deficit reduction. It is clear that deficits in the $200 billion range produce distortions in the economy that affect our ability to compete effectively in the world's markets.

It does not believe that deficit reduction can, or should, be achieved solely on the basis of reduced spending. Austerity is not a solution. Instead of focusing on budget reductions, the Administration and the Congress should be exploring policies that stimulate economic growth without inflation and provide adequate revenues.

The economic recovery has not reduced unemployment to anywhere near the full employment level. Economists at Morgan Guaranty estimate that the United States, whose factory utilization has been stuck at about 80 percent since 1984, is roughly five percent below its potential output. With Gross National Product at four trillion dollars, that amounts to $200 billion in lost output.

The number of Americans who hold jobs is at record levels. There is, however, an unemployment crisis in America. In the two years since January 1984, the unemployment rate has dropped only 1.3 percent. While the 7.2 percent average unemployment rate for 1985 represents a welcome improvement from the trough of the recession (10.7 percent in November 1982), the 1985 level is almost 1.5 percent higher than the 1979 level of 5.8 percent. Nor should we forget that the unemployment rate for 1985 is higher than that for all but six of the last 35 years.

These levels represent only "official" unemployment estimates. When the underemployed and discouraged workers are counted, the real jobless rate for 1985 was 13 percent, or more than 15 million Americans. This represents an economic as well as a human tragedy.

The Congressional Budget Office report The Economic and Budget Outlook: Fiscal Years 1986-1990 assumes that the civilian unemployment rate will only decline to 6.2 percent in calendar year 1990, still above the most pessimistic definitions of full employment.

Between 1962 and 1973, the Nation experienced average unemployment of 4.7 percent, productivity growth of 2.5 percent, and only one recession. Since then, the Nation has had average unemployment of 7.5 percent, productivity growth of only 1 percent, and three recessions. Obviously, there is a strong correlation between low unemployment and high growth.

The Committee again notes that the Congressional Budget Office estimates that each one percent reduction in unemployment cuts the deficit by about $25 billion. Reducing unemployment to cut the deficit is preferable to cutting spending.

The Nation can never recover lost productivity. It can, however, move to stem its losses.

It is impossible to overestimate the value of education. According to a recent study of the Committee on Economic Development, "the most important investment this nation can make is in its children." Further, "we believe that any call for comprehensive improvement in the public schools that does not recognize the need for additional resources is destined for failure."

The CED report concludes that "the earliest stages of educational development, elementary school and preschool for disadvantaged children, are where we will receive the best return on our educational investment. Moreover, we consider the junior high or middle school to be at least as important as a force of education reform."

Since 1981, however, total federal assistance for elementary and secondary education has been cut by 7.2 percent in real terms (after adjustment for inflation) and Chapter 1, Compensatory Education for the Disadvantaged, has been reduced by almost five percent in real terms.

Cuts in job training have been even deeper. Over the last five years, available funds have been reduced by almost 58 percent in real terms. This does not include the virtual elimination of the Trade Adjustment Assistance program.

In 1984, 14.4 percent of all Americans, or almost 34 million people, had income below the poverty line. Poverty rates among minorities are significantly higher. Just as troubling as poverty among adults is the growing phenomenon of child poverty.

Fifteen years ago, the child poverty rate was 13.8 percent. Today more than one child in five is poor and the poverty rate for children is nearly twice the poverty rate for adults. Almost half of all black children, and more than a third of all Hispanic children were poor in 1983. But, 64 percent of all poor children were white.

The Education and Labor Committee is particularly concerned that reductions in funding for education and job training will further exacerbate the problem of children in poverty.

Many things contribute to the incidence of child poverty, including demographic change, unemployment, and cuts in transfer payments.

But, according to the Congressional Research Service, "children of single mothers not yet 30 years old who failed to complete high school have the highest poverty rates, above 90 percent, whether black or white." Further, "lack of high school completion by the family head almost doubled the chances of child poverty in a mother-child family and more than doubled them in a married-couple family."

The Committee agrees with the President, that "we must now escape the spider's web of dependency." Unlike the Administration, however, the Committee believes that for the Nation to prosper, it must continue to promote policies that improve educational achievement, reduce dependency and promote self-sufficiency, and preserve a meaningful safety net.

SUBCOMMITTEE ON ELEMENTARY, SECONDARY, AND VOCATIONAL EDUCATION

Elementary, Secondary, and Vocational Education

Between fiscal years 1981 and 1986, Federal funding for elementary and secondary education has dropped 7.2% in constant dollars. At a time when the public is urging improvements in the quality of education, and States and local school districts are trying to respond, the Federal government is becoming an increasingly minor partner in elementary and secondary education. In school year 1979-80, the Federal government provided 10.8% of the cost of elementary and secondary education; by 1984-85 this had dropped to 8.3%.

These declines have taken a toll. For example, the Chapter 1 program for disadvantaged children, the largest Federal elementary and secondary education program, served 600,000 fewer children in school year 1983-84 than in 1979-80. Another example is the Bilingual Education program. Since 1980, this program has been cut by 44%, taking into consideration the percentage change adjusted for inflation. In connection with this cutback, it is noteworthy that while the overall school age population will rise by approximately 16% by the year 2000, language minority school age children will increase by an estimated 40 percent.

The Committee believes these cuts are moving education away from the progress we should be making. The Committee's joint hearings with the Senate on the issue of illiteracy revealed that 13% of all 17-year-olds in the United States are functionally illiterate and that there may be 26 million functionally illiterate adults. Unless we continue the strides made in programs such as Chapter 1, adult basic education, and other educational efforts, we will risk an increase in these numbers, instead of helping to lower them.

For most of the elementary and secondary education programs, the Committee is recommending current services funding in order to stem the losses these programs have experienced since 1981.

However, for the Chapter 1 program, the Committee is recommending an increase above current services. Additional costs have been incurred by school districts in operating Chapter 1 programs as a result of the Supreme Court ruling last summer in Aguilar v. Felton. The court ruled unconstitutional the method frequently used to serve nonpublic schoolchildren in Chapter 1, that of sending public school teachers on the premises of private, religious schools to deliver services. School districts have been attempting to cope with this situation and arrange other methods of serving the nonpublic school children, which they are required to do by law. These other methods -- such as using mobile instructional labs or serving the children in a public facility or a neutral site -- frequently involve additional transportation or other administrative costs which are to be taken off the top of Chapter 1, according to Department of Education guidelines regarding implementation of Felton. Without additional funds, these costs will result in reduced services to children in both public and private schools. The additional funding requested will help ease this situation, which has created difficulties in many school districts around the country. Also, the additional funding request is reasonable in view of Chapter 1's record of success in serving disadvantaged children.

The program currently serves only 31 percent of all Chapter 1 eligible students. Since the number of children in poverty has increased by 35 percent between 1979-1983, the program's funding needs are greater than ever.

Child Nutrition

Child Nutrition programs were cut in funding by nearly a third in 1980 and 1981. At that time, the cuts were twice as much as any other federal entitlement program. Unfortunately, these cutbacks were also occurring at a time when poverty among children was increasing. Although current data indicate a negligible decrease in overall poverty levels, the indices for poor children are still substantial. Eighty-seven percent of the funds in child nutrition programs benefit the poor. It should be pointed out that hunger is again an issue in the United States. Last year, a report was issued by a physicians' task force from the Harvard University School of Public Health. These physicians concluded: "It is our judgment that the problem of hunger is now more widespread and serious than at any time in the last ten to fifteen years....Hunger has returned to our nation primarily due to governmental failure." The report further cited the budget cuts in the child nutrition programs enacted in 1981 as a major failure of government leading to this increase in hunger.

Therefore, given the widespread and serious nature of the hunger problem and the target population these programs serve, our nation's children, these programs should, not only continue to be funded at current services level, but should be increased as proposed by the House in passing H.R. 7, the School Lunch and Child Nutrition Amendments of 1985.

Supplemental Food Program for Women, Infants, and Children (WIC)

The Supplemental Food Program for Women, Infants, and Children (WIC) has been found to be a cost-effective program and is considered by many to be one of the most effective federal programs enacted by Congress. A great many studies have cited the cost benefits of the WIC program. Notwithstanding the program's demonstrated benefits, over 50% of the income-eligible WIC population remains unserved. The Congress should not only maintain current funding levels for WIC, but also should seek to find ways to reach the unserved WIC population, thereby realizing a reduction in federal expenditures for later medical costs, as proposed by the House in passing H.R. 7.

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

During the first session of this Congress, the Committee on Education and Labor successfully completed House action on the Reauthorization of the Higher Education Act (H.R. 3700) with passage of the bill on December 4, 1985 by a 350 to 67 vote. The Subcommittee on Postsecondary Education held 35 hearings both in Washington and around the country and heard testimony from 350 witnesses. Although the House-passed bill does contain new initiatives, it also contains major reforms that significantly reduce Federal spending for some programs. Therefore, the budget recommendations for FY 1987 are based on the provisions of H.R. 3700 as passed by the House.

The Higher Education Act

Title I -- Postsecondary Programs for Non-Traditional Students

Title I of the Higher Education Act was modified in H.R. 3700 to focus programs on the needs of non-traditional students. The new Title I provides a four-year grant program to assist institutions in establishing programs, strengthening existing capacity, or supporting cooperative agreements with other organizations to meet the continuing education needs of adults. It also provides for four-year grants to enable institutions to develop and operate off-campus outreach programs for adults as well as three-year grants for in-service training of adult and continuing education instructors. These initiatives are necessary to address the growing problems of adult illiteracy and retraining and, in part, recognize the need for postsecondary education institutions to play a role in adult education and retraining.

The Committee recommends a level of funding for FY 1987 that recognizes the high priority of this program.

Title II -- Academic Library and Information Technology Enhancement

During reauthorization of the Higher Education Act, Title II was restructured, imposing a needs criteria for funding under Part A so only needy libraries receive grants in amounts substantial enough to be effective in improving library resources. The Committee also added a new Part D, Information Technology and Cooperation Agreements, for sharing information resources through cooperative arrangements. The Committee showed fiscal restraint and responsibility by paring the annual funding authorities for Title II by $55.75 million.

Having reauthorized Title II with more realistic funding goals, the Committee recommends funding adequate to re-fund Part A using the more restrictive needs test, and to provide some start-up assistance the for new Part D, while maintaining current services levels in Parts B and C.

Title III -- Institutional Aid

Title III as amended provides grants for assistance to less developed colleges and universities which serve low income and minority students in order to help these institutions strengthen their academic programs and management ability and to move toward self-sufficiency. Additionally, Title III provides for a separate programs for historically Black colleges and universities in response to their unique needs. The endowment provisions of the current Title III were retained in the reauthorization.

The Committee recommends increased funding for Title III, particularly to fund the new Part B for historically black colleges.

Title IV -- Student Assistance

In reauthorizing the student financial assistance provisions of the Higher Education Act, the Committee became clearly aware of the erosion in the buying power of student aid generally, the disproportionate decline in the value of grant assistance and the dramatic increase in student borrowing. As a result, changes in student aid programs were directed at improving the balance between loans and grants and increasing the equity of the programs. Specific programmatic changes affecting necessary FY 1987 appropriation levels include the following:

- $2,300 maximum Pell Grant for FY 1987 with a limit of not more than 60% of the student's cost of attendance;

- a $1,700 Pell Grant allowance for education related costs for students without dependents living with their parents and a $2,300 allowance for all other students;

- increased maximum awards for the Supplemental Educational Opportunity Grant (SEOG) program and the State Student Incentive Grant (SSIG) program;

- increased loan limits for the National Direct Student Loan Program (NDSL) and the Guaranteed Student Loan (GSL) program.

At the same time, the Committee incorporated a number of reforms in the GSL program which reduce Federal expenditures and increase the contribution of the campuses to the SEOG and College Work Study (CWS) Programs. In particular, the funding for the GSL program, as reauthorized results in a billion dollar savings over current law. However, it is important to note that these savings can only be achieved with enactment of the provisions of H.R. 3700.

In the area of student assistance, the Committee recommends adequate appropriations to fund the $2,300 maximum Pell Grant in FY 1987 with the other changes in the Pell Grant program provided in H.R. 3700 and to fully fund the GSL program with the reforms provided for in H.R. 3700. The Committee recommends funding the student aid programs at current service estimates.

Title IV of the Higher Education Act also contains a number of categorical programs. These include Special Programs for Disadvantaged Students (TRIO), College Migrant Programs (HEP-CAMP) Veterans Educational Opportunity programs, Child Care Services, Federal Merit Scholarships and general provisions and advisory committees. During reauthorization TRIO and HEP-CAMP were not modified significantly, although clarifying provisions were adopted. A new veterans outreach program was created to include eligibility for all honorably discharged veterans instead of only those receiving G.I. bill benefits. The child care provisions are new and were adopted to reflect the understanding of the Committee that lack of child care services is becoming a major obstacle for parents, especially, low-income single heads of households, in attending college.

The Committee recommends current service funding levels for existing programs and adequate funding to fully implement the new initiatives.

Title V -- Educator Recruitment, Retention and Development

Included in the reauthorization of the Higher Education Act are programs intended to recruit, retain and assist in the professional development of our nation's teaching force, authorized under Title V.

The release of the National Commission on Excellence in Education Report, A Nation at Risk, resulted in actions being taken at the state and local level to begin to return to educational excellence, and the focus of most of those activities and reforms has been on our nation's teaching force. Title V, as restructured in H.R. 3700, provides programs designed to help recruit new teachers in the face of a growing shortage nationwide, and programs to help school districts retain their teachers in the classroom as well as a program to improve and expand teacher professional skills through in-service training.

Throughout the design and development of the new Title V, the Committee was mindful of the growing teacher shortage, the small but definite increase in numbers of children being enrolled in kindergarten and elementary schools, and the appropriate Federal role in helping state and local governments deal with teaching needs at the preservice as well as inservice levels.

During the 98th Congress, a teacher-recruitment program was enacted, the Carl Perkins Scholarship Program, and it has been funded at $10 million in FY 1986, along with the Leadership in Administration and Development Act (LEAD), which was funded at $7.5 million, for a total of $17.5 million Title V funding in FY 1986.

Because of the urgent need to address teacher recruitment, retention and professional development needs of teachers, to give attention to the national drop-out problem, and to link higher education to the K-12 education level, the Committee recommends that funding for Title V programs authorized under H.R. 3700 be increased significantly. Additionally, the Committee recommends that $1 million be provided for the Taft Institute which was reauthorized as part of Title V.

Title VI -- International Education Programs

The international education programs were expanded under H.R. 3700 reflecting a concern that more must be done to improve foreign language skills and resources in this country. There are five new initiatives: intensive summer language institutes, language resource centers, interships abroad, model foreign language programs, and development of a center for foreign periodicals.

The Committee recommends sufficient funds to provide the current services level in the existing programs and $1,500,000 extra to begin the implementation of the new initiatives added in H.R. 3700.

Title VII -- Construction, Reconstruction and Renovation of Academic Facilities

During reauthorization, major changes were made in Title VII. It is currently estimated that the colleges and universities of this nation would need $40 billion in order to bring their facilities and equipment up to state-of-the-art standards. In previous years, Title VII has only provided between $20 million and $40 million -- far short of any meaningful contribution. Title VII, as contained in H.R. 3700, has two provisions which address this problem more effectively. The first provision authorizes the Student Loan Marketing Association in cooperation with the Department of Education and the Department of Treasury to establish a private for-profit corporation to insure loans for college construction. The program will require $25 million in funding through the Department of Education for the first five years. After that it will be funded through private resources and income from premiums paid by institutions. It is estimated that the corporation can eventually generate up to five billion dollars per year in private loans for postsecondary education construction.

H.R. 3700 also incorporates the provision of Title IV of the College Housing Act of 1950 with modifications to target funding on undergraduate institutions. The bill increases the amount to be made available for loans each year from the program's revolving fund.

Title VIII -- Cooperative Education

Title VIII was only slightly modified during the reauthorization. However, its cost benefits were highlighted throughout the hearing process. Therefore, the Committee recommends current service funding levels for FY 1987.

Title IX -- Graduate Education

Title IX was modified during reauthorization to include a program for seeking out talented potential graduate students and providing them with both counseling and support to encourage their entrance into graduate school as well as stipends for those who actually enroll. It also includes provisions for assistance to institutions to provide awards to students studying in fields of national need.

The Committee recommends increased funding for Title IX for FY 1987 to accomodate the new provisions.

Title X -- Postsecondary Improvement Programs

Title X contains the authorization for the Fund for the Improvement of Postsecondary Education and the Minority Institutions Improvement Programs. The latter provisions, which were added by H.R. 3700, establish in legislation the parameters of the Minority Institutions Science Improvement Program (MISIP) which has been funded through the Department of Education for the last several years.

The Committee recommends increased appropriations for 1987 to accommodate both programs.

Title XI - Community Partnerships and Economic Development

Title XI was amended during reauthorization to include a new section linking postsecondary education institutions and local governments, labor, business and industry in a coordinated effort to revitalize local communities. The existing Urban Grant University program was also extended.

The Committee recommends appropriation levels adequate to provide funding for both programs.

LIBRARY SERVICES & CONSTRUCTION ACT (LSCA)

Federal funds under LSCA are used to expand access to libraries (now serving 96 percent of the population), and to maintain services to special populations such as the physically handicapped, older Americans, limited-English speaking peoples, Indian Tribes and Native Hawaiians. Programs are also offered to persons who are institutionalized or otherwise disadvantaged. A portion of funds made available under LSCA can be used for construction of new library facilities, or to remodel and renovate existing structures, and other funds are used to support cooperative library projects, including new technologies and resource sharing and networking among the nation's libraries.

Currently, LSCA supports libraries serving 30 million disadvantaged adults and children, 5 million persons of limited English speaking proficiency, 2.2 million elderly, 1.2 million physically handicapped, including 270,000 blind persons, and over 700,000 institutionalized persons.

The Committee believes that the Library Services and Construction Act should be continued at current service levels in FY 1987 in order not only to maintain current services, but to improve educational excellence in our schools, and to help combat the rising rate of illiteracy in this country that has already reached outrageous proportions.

SUBCOMMITTEE ON HEALTH AND SAFETY

In the years since the present Administration took office in 1981, there has been a consistent and continuing trend to reduce the efforts by these two agencies, OSHA and MSHA, which are responsible for seeing that every American worker has a safe and healthful place of employment.

While the numbers of fatalities in the mining industries, whether coal or metal/non-metal, has been falling every year, with the exception of 1984, the decrease may, in great part, be due to a declining industry with fewer working mines and fewer manhours worked, rather than to active participation by MSHA in the process of mine safety and health.

In other areas of employment, it is clear that we have not been particularly successful. A recent report by the Bureau of Labor Statistics shows increases in the number of workplace accidents as well as the number of injuries and illnesses resulting from those accidents. There is some question as to the validity of statistics showing fewer accidents and injury/illness rates during the earlier years of this Administration.

Thus, while the proposed Department of Labor budget for fiscal year 1987 shows some modest increases in both personnel and dollars, looking at the figures as compared to FY 1986 as reduced by Gramm-Rudman-Hollings shows smaller increases, indicating that the trends established early in this Administration will continue.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (OSHA)

The Department of Labor is proposing an increase of some $18 million for the agency for FY 1987, providing for an increase of 42 personnel slots. More than half of the increase would be focused on enforcement -- $7.2 million for federal enforcement and $4.2 million for state plan programs.

The increase, however, is based on OSHA's FY 1986 budget, but does not include cuts of $9.9 million and 42 positions under Gramm-Rudman-Hollings. Thus, when those cuts are included, the budget for OSHA shows no increase in positions and only a modest increase in dollars.

And, considering the trend in agency funding and staffing since 1981, it is unlikely that OSHA will be able to do more than depend on companies to voluntarily comply with the law. In 1981, OSHA had just over 3,000 employees, with more than two-thirds (2,300) engaged in enforcement. In the proposed FY 1987 budget, OSHA staffing is projected at 2,200, with fewer than 1,800 engaged in enforcement activities. The result of this decrease in personnel is not a good one for workers, as evidenced by the BLS report showing an increase in job-related accidents, injuries and illnesses. Also, as testimony to the Subcommittee has shown, there is an ever-growing relationship between occupational exposures to toxic substances and specific kinds of cancer, respiratory and cardiovascular deaths among retired workers in specific industries. Much of this has occurred because of OSHA's reluctance or inability to develop and promulgate new standards for highly hazardous and toxic substances.

MINE SAFETY AND HEALTH ADMINISTRATION (MSHA)

Although fewer fatalities in coal and metal/non-metal mining were reported in 1985, a lot of that reduction in mining fatalities is due less to MSHA's activity than to a drop in the number of active mines and fewer man-hours worked.

In 1981, MSHA had more than 3,800 people on board with nearly 2,800 engaged in enforcement activities. For fiscal year 1986, excluding cuts due under Gramm-Rudman, MSHA will have just over 2,800 employees with just fewer than 2,200 engaged in enforcement.

The Department of Labor's proposed fiscal year 1987 budget for MSHA shows increases in personnel of 81 slots and an increase of $11.8 million. This increase, however, is developed from 1986 budget levels and does not include the 1986 cuts under Gramm-Rudman of $6.5 million and 101 personnel slots. Thus, the dollar increase will actually be closer to half the nearly $12 million proposed and there will actually be a cut of some 20 positions rather than an increase of 81, as proposed.

There is the continuing danger that MSHA's inability or failure to conduct programs and inspections mandated under the Mine Safety and Health Act of 1977 could result in an increase in mining accidents as well as mining fatalities.

SUBCOMMITTEE ON LABOR-MANAGEMENT RELATIONS

General Comments

The Subcommittee is extremely concerned about the prospects for the agencies within its jurisdiction in fiscal year 1987. In past years, the Subcommittee has expressed its concern for this administration's lack of commitment to the programs within its jurisdiction. While the appointment of a new Secretary of Labor would seem to portend improvement, our concerns about this administration's commitment to programs intended to promote the rights of workers and foster labor-management cooperation remain.

Despite our reservations about the way the agencies have functioned, the Committee has consistently opposed reductions in the funding of these agencies. Our concern has been that budget reductions would only further undermine the integrity of the programs within our jurisdiction. In view of the tremendous growth of the deficit under President Reagan and given that virtually all of these programs fall within discretionary spending, the Committee recognizes that all of the agencies are likely to suffer reductions in funding. Those reductions cannot help but damage the programs administered by these agencies. Our concern, based upon the past performance of this administration, is that the reductions will not only undermine the effective enforcement of our labor and pension laws, but will provide the excuse for further undermining the evenhanded application of those laws.

National Labor Relations Board (NLRB)

The NLRB exists to protect the rights of workers to engage in collective activity and to regulate the relationship between management, workers and unions. Efficient operation of the NLRB enhances the well being of workers, the peaceful resolution of labor disputes and the flow of commerce. Under the Reagan administration, the NLRB has been among the worst managed agencies in the government. The NLRB is universally perceived by organized labor, with good reason, as being biased against their interests in its enforcement of the law. Due in part to the failure of the President to fill NLRB vacancies promptly and in part to the quality of the appointments he has made, the NLRB has also suffered under the largest backlog in its history. While progress has been made in reducing this backlog, primarily because unions and workers have sought other avenues for obtaining redress, it presently appears that in a short while the NLRB will again be without a full complement of members. A reduction in the NLRB budget will result in further difficulties for workers seeking the protections of the labor law, a greater insistence by the agency on the settlement of charges at the expense of individual and collective rights, and a growth in the backlog of pending cases at the NLRB.

Office of Labor-Management Standards (OLMS)

Prior to the most recent reorganization at DOL, this office, the Bureau of Labor-Management Relations and Cooperative Programs and the Pension and Welfare Benefit Administration were all part of the Labor-Management Services Administration. OLMS is that part of LMSA that was responsible for enforcement of the Labor-Management Reporting and Disclosure Act. The Subcommittee has previously expressed its concern that enforcement of LMRDA under the Reagan Administration has focused exclusively upon audits and criminal investigations of labor organizations while efforts to enforce the employer and consultant reporting requirements have been ignored. At present, the position of Assistant Secretary for Labor-Management Standards is vacant, though we understand an appointment will be announced shortly. We are hopeful that the new Assistant Secretary will bring with him or her a commitment to evenhanded enforcement of the LMRDA. We are concerned, however, that a reduction in available resources will serve as the excuse for continuing to ignore provisions of the law as they relate to the business community.

Bureau of Labor-Management Relations and Cooperative Programs (BLMRCP)

Among the first actions of William Brock, upon his designation as Secretary of Labor, was to appoint a Deputy Undersecretary for Labor-Management Relations and Cooperative Programs and to increase the emphasis of the Department of Labor's activities in this area. The Committee strongly commends Secretary Brock for these efforts. Our ability to compete economically will, to a large degree, be dependent upon our ability to foster cooperation between labor and management. Particularly in light of the widespread and growing intolerance for the organizational rights of workers, a decline in the amount of resources available for this effort is distressing. To the extent the ability of workers and management to equitably work out their own problems is undermined, the pressure on government to intervene increases. Governmental solutions are less likely to enhance our competitive position than are equitable solutions worked out directly by the parties involved. One wonders, however, how successful current efforts to promote labor-management cooperation will be when those agencies charged with enforcement of substantive law are widely perceived as being biased against the interests of workers.

Pension and Welfare Benefit Administration (PWBA)

The Committee commends the Department of Labor and Secretary Brock for promoting the primary ERISA enforcement officer to the level of Assistant Secretary. The PWBA is responsible for protecting an estimated $1 trillion in pension assets in over 900,000 different plans. The administration presently has 200 investigators who work with information that, at best, is two years old when they first see it. Finally, by its own admission, the administration is operating without a meaningful enforcement strategy, though it is working to develop one. The Committee is extremely apprehensive about the potentially disasterous consequences of a budget cut on a regulatory and enforcement program that many feel is already failing to fulfill its statutory responsibilities to participants and beneficiaries.

Pension Benefit Guaranty Corporation (PBGC)

The Committee remains strongly committed to enacting a premium increase and reforms in the single employer insurance program. Failure to do so will not only needlessly add to the federal deficit but will unduly jeopardize the retirement security of tens of thousands of workers. Reforms and a premium increase are included in the reconciliation bill pending in conference.

Bureau of Labor Statistics (BLS)

The Committee is extremely concerned about the impact of a budget cut on BLS. In FY 1982, due to a government wide budget reduction for all nondefense agencies, BLS was forced to choose between jeopardizing the quality of all of the Bureau's programs or eliminating programs described by its Director as being "very important and useful programs." At that time BLS chose the latter approach, but we question whether that option continues to exist. BLS is this country's basic statistical and analytical agency in the areas of employment, unemployment, prices and living conditions, productivity, wages, occupational safety and health, and economic growth and occupational outlook. The ability to implement effective policies is dependent upon the ability to accurately assess existing conditions. It is the Committee's view that the long term costs that result from arbitrary reductions in the BLS budget far outweigh any short-term savings that may be achieved.

Federal Mediation and Conciliation Service (FMCS)

The primary function of FMCS is to mediate labor disputes. It is a very small agency with a very small budget. Yet, its proven ability to promote cooperation and limit confrontation between labor and management provides substantial benefits to the economy. Once again, we hope that a budget reduction for this agency does not prove to be penny wise but pound foolish.

SUBCOMMITTEE ON LABOR STANDARDS

Enforcement of Labor Standards

The Wage and Hour Division of the Department of Labor is responsible for enforcing, among others, protective legislation for farm workers, and basic wage and hour standards for all workers covered by the Fair Labor Standards Act. These laws are critical to the well-being of our nation's most vulnerable workers--those working at or near the federal minimum wage rate.

The Committee is concerned that the enforcement capabilities of the Wage and Hour Division are being undermined by increasing workloads on an already over-burdened staff. . Since FY 1981, when the Division was forced to eliminate 178 enforcement positions, complaints have increased by more than 1,000 each fiscal year. In most cases the increases have been greater than 2,000 cases, and in FY 1984, there were 5,000 more complaints than in the previous fiscal year. As a result of the Fair Labor Standards Amendments of 1985 (P.L. 99-150), nearly 9 million state, local and municipal employees are now covered by the Fair Labor Standards Act. In addition, a report issued by the General Accounting Office on September 30, 1985 found that fewer staff hours were being spent on FLSA compliance since 1981 and that noncompliance with wage and hour recordkeeping was serious and continuing.

The Committee sees no evidence that the Wage and Hour Division staff will be able to manage spiraling complaints from the private sector, and the added enforcement burdens in the public sector for which no provision has been made. Therefore, the Committee strongly believes that some enforcement capability must be restored to the Wage and Hour Division.

Black Lung Benefits, Federal Employees Compensation, and Longshore and Harbor Workers' Compensation Benefits

In light of the Gramm-Rudman-Hollings Act, no cost of living adjustment (COLA) will occur for recipients of Federal Employees Compensation Benefits. COLAs for recipients of Longshore and Harbor Workers' Compensation benefits occurred prior to the operation of Gramm-Rudman-Hollings. Since black lung benefits are tied to the disability compensation of a GS-2 Federal employee, no reduction in benefits will occur unless a reduction first occurs in the GS schedule of benefits.

The Committee is extremely concerned and disturbed that staff reductions at the Department of Labor will cause an immediate backlog in the processing of claims for these benefits. While staff reductions in the enforcing of statutes like the FLSA will produce an increase in complaints and noncompliance within a year or two, staff reductions in servicing benefit claims will produce immediate results. Claimants will not have efficient handling of their cases, which will retard the delivery of benefits to persons dependent on them for economic security.

SUBCOMMITTEE ON HUMAN RESOURCES

The Human Resources programs under the Committee's jurisdiction are targeted at those most vulnerable in our society -- the very young, the very old, and the poor. These programs should be accorded the highest budget priority not only because of the populations they serve, but also because they prevent the need for additional expenditures in the future. Older American Volunteer and Older Americans Act programs, including Meals on Wheels, enable many senior citizens to remain in the their homes instead of in costly institutions. Successful diversion programs under the Juvenile Justice and Delinquency Prevention Act reduce the need for corrections facilities and lessen the burden on the courts. Because of the cost-effectiveness of these programs, they should all receive increases in funding. However, given the need for fiscal restraint, the Committee recommends that all of the Human Resources programs be continued at current services levels, with the exception of the Head Start and Older American nutrition programs which should be increased.

The Head Start program is a particularly good example of a cost-effective investment for society. Results of longitudinal studies such as the High/Scope Educational Research Foundation's Perry Preschool Project indicate that substantially fewer graduates of quality preschool programs were placed in remedial or special education classes, dropped out of school, became involved in crime, or received welfare. High/Scope's cost-benefit analysis indicated that the return on the initial investment was equal to seven times the cost of one year of preschool.

The fact that, at the present time, Head Start is serving only about 17 percent of children who are eligible is justification in itself for an increase above the current services level. Over two and a half million more low income preschoolers are eligible and in need of the quality education, health, nutrition, and social services which Head Start provides. Almost half of all black children, more than one-third of all Hispanic children, and nearly one in six white children in our country today are poor. In 1983, 25 percent of preschool-aged children lived in families below the poverty line.

Follow Through is a similar program which focuses on the continuing development of children from low income families who were previously enrolled in Head Start or similar preschool programs. It is a modest, cost-effective program with a broad impact, serving 58 communities directly and over 700 other communities through dissemination efforts.

The Committee recommends funding for the program of state grants for dependent child care information and referral systems and child care programs first authorized under P.L. 98-558. The need for child care continues to grow. Child care services allow parents to work, making families more self-sufficient. Over 9 million children under age 6 and almost 15 million children aged 6 to 13 have mothers in the labor force today. The Congressional Budget Office predicts a 38 percent increase in the number of preschoolers with working mothers by the end of this decade.

The Community Services Block Grant (CSBG) is distinguished from all other federal programs by the fact that its main purpose is to "provide a range of services and activities having a measurable and potentially major impact on the causes of poverty" through linkages and coordination of services at the local level. The Committee rejects the argument that CSBG is duplicative of other programs. In fact, the flexible nature of the program ensures that grantees do not have to provide services that are already available. Additionally, the information, referral, and outreach services of local grantees serve all the programs administered by that agency, preventing the need for costly duplication of administrative services. Another way that CSBG attacks poverty is by filling in service gaps. In some cases, this means supporting services which would otherwise be unavailable; in others, it means supplementing inadequate service levels. Thus, the Community Services Block Grant becomes increasingly important as other programs (e.g., Head Start, Low-Income Home Energy Assistance, etc.) experience funding freezes or reductions. Eliminating funding for this program, as recommended by the Administration, would result in the fragmentation of existing coordinated service delivery networks and a loss of desperately needed services, particularly in rural areas where there may be no other resources.

A central focus of the Juvenile Justice and Delinquency Prevention program is to develop more effective delinquency prevention and treatment programs, thereby ensuring that fewer youths will become adult criminals. Thus, in addition to supporting important efforts to deinstitutionalize status offenders and to remove children from adult jails, the program has also supported effective prevention programs such as law-related education and cost-effective treatment programs such as victim restitution. From 1975 to 1984, the total number of juveniles arrested for violent crimes decreased by 20.5 percent and the number arrested for property crimes decreased by 29.6 percent.

The Runaway and Homeless Youth program provides critically needed emergency shelter and services, including 6 months aftercare, for troubled youth who have left home or have no home. In addition, the more than 270 federally funded centers provide family support and counseling as a part of their efforts to return their clients home. This program has been cited by both the General Accounting Office and by the Department of HHS Inspector General as a very effective program. Nevertheless, many youth do not have access to these services because there are no shelters in their areas; and many centers have had to turn youth away due to insufficient resources.

Programs providing services that make it possible for older Americans to maintain an independent and productive lifestyle longer than otherwise might be possible are increasingly important for several reasons: both the number and percentage of those over 65 relative to other age groups is increasing dramatically; the age 85-plus population (most likely to require assistance) is growing most rapidly of all; and curtailment of services in other programs impacts heavily on this group's needs.

A nationwide survey presented in a recent Subcommittee hearing found 87 percent of respondents finding increased (and frequently unfillable) demands for home-delivered meals and 56 percent of respondents reporting increased demands for congregate meals. The Department of Agriculture has reported that 225 million meals were served under the Older Americans Act in 1985, instead of the projected 214 million meals.

Older persons have substantially lower cash incomes than do those under age 65. In 1983, the median family income of a family head age 65 or older was less than two-thirds the median income of the 25 to 64 age group. For older individuals living alone, the discrepancy is even greater. We are especially concerned about the impact on the growing numbers of frail elderly who are left without able-bodied family members to fill in the gaps caused by shrinking public services.

Two additional programs of particular note are the Title V Community Service Employment Program providing community services and income for the older workers, and the older volunteer programs which extend the useful, working life of older individuals while expanding necessary services for the entire community. Information gained during hearings and site visits on the Senior Companion program, whose volunteers are working with hospital discharge units to ease the older patients' transition from hospital to independent living in the home was particularly impressive.

SUBCOMMITTEE ON SELECT EDUCATION

EDUCATION OF THE HANDICAPPED

The Education of the Handicapped Act (EHA) constitutes the principal mechanism through which the Federal government assists State and local agencies meet the special educational needs of handicapped children and youth. Central to the Act is the State formula grant program (Part B; also commonly referred to as P.L. 94-142) under which States are required to provide every handicapped child a free appropriate public education in the least restrictive environment. Part B also establishes a preschool incentive grant program.

Under P.L. 94-142, over 4.1 million handicapped children and youth are receiving special education and related services. Since 1979, appropriations for Part B have not approached the authorization level in the law, which is approaching $5 billion (40% of the national average per pupil expenditure for handicapped children and youth). The Part B State-grant appropriation for FY 1986, as a percent of the national average per pupil expenditure, has been dropping over the years (from 12.5% in FY 1979 to 9% for FY 1986). As a result, children and youth are suffering; class sizes are growing, newly identified children are remaining longer on waiting lists, necessary related services are being reduced, and more and more unqualified staff are providing instruction.

In addition to Part B, the EHA authorizes discretionary grant programs aimed at: (1) supporting and improving the direct services provided under P.L. 94-142; (2) identifying and solving persistent problems in providing services; and (3) assisting handicapped individuals make the transition to postsecondary education, vocational training, and competitive and supported employment. These programs support a variety of essential research, technical assistance, demonstration, dissemination, personnel training, and model projects and activities.

For the reasons described above, the Committee recommends funding for FY 1987 above the level necessary to simply maintain current services.

REHABILITATION ACT

The Rehabilitation Act 1973 is the primary legislation providing services to help handicapped individuals prepare for and engage in "gainful employment to the extent of their capabilities."

Approximately 90 percent of funds appropriated under the Act are used for individual vocational rehabilitation services under a basic State Grant Program currently requiring a 80 Federal/20 State match. The scope of services provided includes the evaluation of rehabilitation potential, counseling, vocational training, physical and mental restorative services, maintenance, interpreter/reader services, recruitment, and transportation. It has proven to be a cost-effective program. The Rehabilitative Services Administration (RSA) has stated that the estimated lifetime earnings for persons rehabilitated improve by more than $10 for every dollar spent on services.

Notwithstanding the clear cost-benefit of this program, State Vocational Rehabilitation agencies are only able to serve one out of every twenty disabled individuals who need rehabilitation services. A decision which limits the federal government's financial commitment to current levels is short-sighted. Currently, we spend approximately $1 billion to rehabilitate individuals with disabilities thereby making them independent and self-sufficient taxpayers. In striking contrast, $52 billion was spent in FY 1982 for SSDI, SSI, and Medicare/Medicaid for disabled individuals under 65 and eligible dependents.

Other programs and agencies authorized include the National Institute of Handicapped Research, innovation and expansion grants, special services for Indians, supplementary services, facilities, and special projects, Projects with Industry, comprehensive services for independent living, the National Council on the Handicapped, and the Architectural and Transportation Barriers Compliance Board.

For the reasons described above, the Committee recommends funding for FY 1987 above the level necessary to simply maintain current services.

ARTS AND HUMANITIES

The National Foundation on the Arts and Humanities Act of 1965 and the Museum Services Act develop and promote national policy for support for the arts and humanities and institutions that preserve the cultural heritage of the United States, through the National Endowment for the Arts, the National Endowment for the Humanities, and the Institute for Museum Services.

Both Endowments provide support for individuals, groups, and educational and other institutions across the country. Support is provided through programs of fellowships, research and project awards, and through matching grants.

Additionally, the National Endowment for the Arts awards grants to State arts agencies to assist them in carrying out plans for support of the arts. With one exception, all the agencies are agencies of State government. The National Endowment for the Humanities awards grants to private, non-profit humanities councils within each of the States for the purpose of making sub-grants to individuals and organizations within the State.

The Institute of Museum Services provides support to museums for educational programming and for daily operating expenses and conservation.

NATIONAL INSTITUTE OF EDUCATION
(Section 405 of the General Education Provisions Act)

The National Institute of Education (NIE) has been the primary Federal agency responsible for educational research, development, and dissemination. NIE operates through a system of national research centers and regional educational laboratories and also conducts a national assessment of educational progress and operates a computerized bibliographic system (ERIC). On July 2, 1985, the Secretary of Education announced his intent to reorganize and consolidate (but in no way eliminate) the functions performed by NIE, effective 90 days thereafter. Functions previously performed by NIE are now being performed by the Office of Educational Research and Innovation.

Over the years, the level of appropriations for NIE has declined significantly in both current and adjusted dollars. The FY 1986 appropriation of $51.231 million is only 29% of the $175 million authorized. The limited amount appropriated for educational research should be contrasted with estimated $5 billion in research and development through the Department of Health and Human Services, and with more than $1 billion through the National Science Foundation.

SPECIAL INSTITUTIONS

Gallaudet College

Incorporated in 1857, Gallaudet College is a private non-profit 4-year liberal arts college, established to provide education and training for the hearing-impaired. It received $42.057 million in federal funds in FY 1986 (78% of the College's revenue) and had an enrollment in the fall of 1985 of 2,128 in undergraduate and graduate programs.

Kendall School for the Deaf

Kendall School is a demonstration elementary school operated by Gallaudet College to serve hearing-impaired students in the Washington metropolitan area. A day school program established in 1972, students attending Kendall range in age from infancy to 15 years. In the Fall of 1985 the program's enrollment was 203.

Model Secondary School for the Deaf

The Model Secondary School is a residential program operated by Gallaudet College to offer hearing-impaired students from across the country a comprehensive high school education. The program received an appropriation of $12.846 million for the 1985-86 school year and has an enrollment of 390 students.

Helen Keller National Center Act

The Helen Keller National Center was established to assist persons with severe hearing and sight impairments. The Center provides special services, trains professional and allied personnel, and conducts research with respect to communications, teaching aids and devices, and delivery of services.

National Technical Institute for the Deaf

A division of the Rochester Institute of Technology, the National Technical Institute for the Deaf is a postsecondary residential facility for vocational and technical training and education to prepare hearing-impaired students for employment. The 2-year Institute is located in Rochester, New York, and began operations in 1968. In the fall of 1985, the enrollment at the Institute in the fall of 1985 was 1356 (1296 hearing impaired students, and 60 hearing students enrolled in an associate program for interpreters).

American Printing House for the Blind

The American Printing House for the Blind establishes a permanent trust fund to aid in the education of the sight-impaired. Located in Louisville, Kentucky, the Printing House provides for the manufacture and dissemination of books and other materials for the education of the sight-impaired. They are also mandated to sell all books and apparatus at cost as well as provide copies of all materials, free of charge, to the National Library for the Blind and the Library of Congress.

DOMESTIC VOLUNTEER SERVICE

The Act provides for the operation of the National Volunteer Antipoverty programs by the ACTION agency. Title I of the Act establishes Volunteers in Service to America (VISTA), Service Learning Programs and other Special Volunteer Programs. These programs represent this nation's primary effort to ensure a long-term impact on the problems of poverty by increasing self-sufficiency within communities. By encouraging persons "from all walks of life" to perform "meaningful and constructive volunteer service" VISTA assists agencies and organizations which help meet poverty-related needs in local communities.

CHILD ABUSE

The Child Abuse Prevention and Treatment Act authorizes financial assistance for the identification, prevention, and treatment of child abuse (including child sexual abuse) and neglect. The Act establishes the National Center on Child Abuse and Neglect. The Secretary, through the Center, makes grants to States to assist in developing, strenthening, and carrying out child abuse and neglect prevention and treatment programs. States receiving assistance must, among other things, have in effect: child abuse and neglect laws; confidentiality provisions; immunity provisions related to the reporting of abuse and neglect: administrative and training procedures for effectively dealing with child abuse and neglect cases in the State; and procedures or programs for the reporting of medical neglect of disabled infants with life-threatening conditions. The Secretary, through the Center, is also authorized to make grants to or enter into contracts with public and nonprofit organizations for demonstration programs.

Child Abuse and neglect is one of our nation's greatest tragedies. Data collected in January 1985 in a State-by-State telephone survey of 24 States by the National Committee for Prevention of Child Abuse were used to project an estimated national figure of reported child abuse cases in 1984 of 1,273,000, an increase of 266,000 over their 1983 projections.

For FY 1986, Congress authorized $41.5 million. The actual appropriation is $26 million (only 62% of the authorization level), the same as the FY 1985 level of appropriations.

FAMILY VIOLENCE

During the 98th Congress, the Family Violence Prevention and Services Act was enacted (Title III of P.L. 98-457). The purpose of the law is to assist States in efforts to prevent family violence (including the abuse of elderly persons) and to provide immediate shelter and related assistance for victims of family violence and their dependents. The need for this program is compelling. Battery is now the single major cause of injury to women--more significant than auto accidents, rapes, or muggings. Some 2,000 to 4,000 women are beaten to death annually; 40% of all women killed, and 10% of men are murdered by their partners.

The FY 1985 Supplemental Appropriations bill included $6 million for family violence, which can be spent during FY1986. The FY 1986 appropriation is $2.5 million (less than 10% of the $26 million authorized).

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

EMPLOYMENT AND TRAINING

In his proposed budget for fiscal year 1987, the President continues to call for drastic cuts in programs which provide employment and training opportunities for our Nation's disadvantaged and unemployed. These programs include the Summer Youth Employment Program, the Dislocated Worker Program, the Job Corps program, and national activities authorized under the Job Training Partnership Act (JTPA), as well as the Work Incentive Program (WIN).

From 1981 to 1986, job training funds have been reduced from $7.6 billion to $3.6 billion, or 52 percent in real terms. If the President's budget proposal is accepted, funding for job training programs will fall 62 percent below the FY 1981 level.

There are currently 8.3 million people in our Nation who are officially estimated as unemployed. Overall unemployment has declined modestly over the past year from 7.2 percent to 6.6 percent of the total labor force. But the official unemployment statistics do not give the full picture. The Bureau of Labor Statistics estimates that there are an additional 1.2 million people who want to work but are discouraged jobseekers, and 5.5 million people who must work part-time because they cannot find full-time jobs. If these factors were taken into consideration, the nation's unemployment rate would be 10.4 percent. In addition, the unemployment data do not reflect the millions of Americans who, although working, are still living on incomes under the poverty level.

Focusing upon the official unemployment estimates for teenagers, their rates remain intolerably high at 18.4 percent. While overall Black unemployment stands at 14.4 percent, the rate for Black teenagers is 41.9 percent.

Cities continue to face chronically high structural unemployment and are increasingly devastated by plant closings and mass layoffs. Youths, minorities, handicapped, and seasonal workers continue to experience double digit unemployment rates. It is especially tragic that, in these circumstances, the President again seeks to undermine the programs which afford jobseekers the opportunity to develop skills to become contributing citizens to our economy.

JOB TRAINING PARTNERSHIP ACT

The Job Training Partnership Act (JTPA) is comprised of programs designed to enhance employment opportunities for economically disadvantaged youths and adults, unskilled workers, and dislocated workers. The program is operated through a decentralized system of skill training and related services, administered by the states, local governments, and private industry councils.

In terms of the adults and young people who need its services, JTPA is inadequately funded at existing levels. In fact, the program is estimated currently to serve only between 3 and 4 percent of the eligible population.

For 1985, JTPA was funded at $3.748 billion. Appropriations for the program were cut by $287 million for Fiscal Year 1986. The President has proposed rescissions in the current 1986 budget of $342 million, and a 1987 budget of $2.91 billion, a cut of 16 percent from 1986 levels, and 22 percent from 1985 funding.

Title II-A of JTPA provides job training for disadvantaged youths and adults. The FY 1985 appropriation of $1.886 billion was reduced by $23 million by the FY 1986 appropriations Act and an additional $80 million was sequestered. The President proposes a budget of $1.820 billion for this program in FY 1987, a reduction of $66 million from the FY 1985 appropriation and from his own FY 1986 budget request.

Title II-B of JTPA authorizes the summer youth employment program for 14-21 year old youths. Last year's appropriations Act adopted the Administration's budget request, cutting the FY 1986 funding level $160 million below the previous year. Reduced further by a sequestration of $29 million, the available FY 1986 appropriation currently stands at $636 million (compared with $825 million for FY 1985). The President now proposes a rescission of $208 million in the FY 1986 appropriation, which funds the summer program for 1987. This would reduce the program to $428 million and this same level would then be continued, if the FY 1987 budget is adopted, for the summer program in 1988. These drastic reductions would mean that the number of summer youth job participants would fall from 785,000 in the summer of 1986 to 467,000 in the summer of 1987 and 414,000 in the summer of 1988.

Title III of JTPA provides training and services for dislocated workers. Funding for this program was cut by the FY 1986 appropriations Act, at the Administration's request last year, to $100 million, falling 55 percent below the FY 1985 level of $222.5 million. This year, the President has proposed a supplemental appropriation to add $74 million to the post-sequestration level of $96 million, for total allotments of $170 million in FY 1986. However, for FY 1987 the President would reduce the Dislocated Worker program back to the FY 1986 budget level of $100 million. All newly appropriated funds would be allocated in the Secretary's discretion.

The Job Corps program, which provides training for severely disadvantaged youth aged 14 to 21, was funded by the FY 1986 appropriations Act at a level of $640 million, which was reduced to $613 million after sequestration. The President has proposed a 1986 rescission of $197 million in Job Corps funds. The President's FY 1987 budget request of $352 million would reduce funding 45 percent below the amount Congress appropriated for FY 1986. The proposed FY 1986 rescission and the President's FY 1987 budget would result in a reduction of 16,000 Job Corps slots (from 38,000 enrollment slots in FY 1985 down to 24,000 slots in FY 1986 and 22,000 in FY 1987).

Several studies show that the Job Corps is cost-effective. For example, one study by Mathematica Policy Research, Incorporated, shows that for each dollar invested in the Job Corps program, $1.46 is returned to society in terms of wages earned, taxes paid, reduced welfare dependency, and reduced penal administration costs.

The Committee recommends that the proposed rescissions and budget reductions be rejected and that JTPA be funded at the current services level. In view of the mounting distress caused by numerous plant shutdowns, exacerbated by the Administration-supported termination of the Trade Adjustment Assistance (TAA) program, the Dislocated Worker program should be funded at the FY 1985 level.

WORK INCENTIVE PROGRAM

The Work Incentive program (WIN), authorized by Title IV-C of the Social Security Act, provides training and employment services for recipients of Aid to Families with Dependent Children (AFDC). It is a state-administered program designed to assist welfare recipients to achieve self-support through training, work experience, employment, child care, and other services.

In fiscal year 1984, an estimated 350,000 WIN participants found employment. The resulting savings in welfare grants were more than twice the level of the fiscal year 1985 appropriation. Yet the President has, for the fifth consecutive year, requested elimination of the program.

In spite of the President's efforts to eliminate the program, Congress appropriated $220 million for WIN in fiscal 1986. The President has asked for a $46 million rescission in the current year's operating budget and total elimination of the program by September 30, 1986.

The Committee strongly opposes the elimination of the WIN program. The program has demonstrated its cost-effectiveness as a means of reducing welfare dependency. The program should be funded at the current services level.

EMPLOYMENT SERVICES

Authorized under the Wagner-Peyser Act, the Employment Service provides job search and placement services, labor market information, services for displaced workers, job matching activities, work tests for unemployment compensation claimants, and job-matching activities for individuals seeking employment.

In order to maintain the functions of the Employment Service, the Committee recommends funding at the current services level.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

The Equal Employment Opportunity Commission (EEOC) is charged with the enforcement of Title VII of the Civil Rights Act of 1964, which prohibits employment discrimination based on race, color, religion, sex, or national origin; the Age Discrimination in Employment Act; the Equal Pay Act; and, in the federal sector, prohibitions against discrimination because of handicap. Recent hearings and staff investigations of EEOC's operations indicate that there is tremendous pressure on the Commission's ability to keep up with the increasing workload, the need to conduct more full investigations and the agency's obligation to provide adequate resources to keep pace with its stepped-up litigation activities. Increased productivity projections, including more than a 156 percent increase in litigation actions and more on-site investigations, will require similar increases in staffing and sufficient funds for travel, litigation, and other support functions in order for the agency to meet its enforcement obligations.

For fiscal year 1987, the President proposes to increase the EEOC's budget from the FY 1986 appropriations level of $165 million to $167.691 million, of which $20 million should be earmarked for State and local grants. Recognizing the need to address the rise in enforcement activities, the Committee recommends funding the EEOC at the current level, plus inflation, for a total $169.950 million for fiscal year 1987, including $20 million for payments to State and local enforcement agencies. This budget recommendation represents a modest $2.3 million increase over the President's budget request and, more importantly, will provide the EEOC with the discretion to align available resources with the staffing and workload requirements necessary to enforce the anti-discrimination statutes mandated to the agency. In addition, it will reassure individuals who file complaints with the EEOC that their charges will be given thorough investigations and their allegations will not be slighted due to budgetary constraints.

FEDERAL CONTRACTOR EQUAL EMPLOYMENT OPPORTUNITY STANDARDS ENFORCEMENT

The Office of Federal Contract Compliance Programs (OFCCP) administers and enforces Executive Order 11246, as amended, the affirmative action provisions of the Rehabilitation Act of 1973, as amended, and related provisions of 38 U.S.C. Section 2012, the Vietnam Era Veterans Readjustment Assistance Act of 1974. The Executive Order prohibits discrimination by federal contractors on the basis of race, color, religion, sex, or national origin and requires that they take affirmative action where necessary to remedy the effects of discrimination. Section 503 of the Rehabilitation Act and 38 U.S.C. Section 2012 contain similar provisions for handicapped persons, disabled veterans, and Vietnam Era veterans. Enforcement of the Executive Order and the above statutes is by compliance review of contractor establishments and by complaint investigations. Acts of non-compliance are remedied by conciliation or, if this method fails, by imposition of the sanctions provided by law.

The OFCCP has experienced substantial reductions in staffing since fiscal year 1984. In that year, OFCCP maintained 979 positions; in 1985, 964 or 958 Full-Time Equivalent; in 1986, it is estimated that pursuant to P.L. 99-177, OFCCP will face a reduction in FTE to 900 to perform the important enforcement functions of the agency.

In fiscal year 1987, the President proposes to increase OFCCP's budget from the FY 1986 appropriations level of $43.4 million and 900 FTE to $45.9 million and 910 FTE. However, this increase does not equal or exceed the 1984 program level. Recognizing the importance of increasing the number of enforcement staff and resources to accomplish the objectives of the agency, the Committee recommends that OFCCP be funded at $48.5 million and 930 FTE for fiscal year 1987.

This amount will provide for and should be used for additional enforcement staff in the field offices, in order to realistically effect the 5,225 compliance reviews and 995 complaint investigations which the OFCCP plans to conduct in FY 1987. The increased funding will also permit the OFCCP to continue the development of the ADP and micro computer systems which will enhance the agency's contractor selection and case management systems. The proposed funding levels also assume that all of the recommendations made by the DOL Inspector General will be implemented.

TABLE #1

FUNDING HISTORY: MAJOR PROGRAMS FY80-87

(Assumes Enactment of Reagan Budget)
Adjusted for Inflation (1980 $)
Budget Authority (000's)

Program	FY80 Level	FY87 Reagan Request	FY87 Reagan Request in FY80 Dollars	Real Change FY80-87 %
Chapter 1	3215	3688	2592	- 19
Handicapped	1049	1303	916	- 13
Vocational/Adult	879	408	287	- 67
Impact Aid	825	548	385	- 53
Student Financial Assistance	3496	3275	2300	- 34
GSL	1609	2330	1637	+ 2
Job Training	5016	2300	1616	- 68
WIN	365	0	0	-100
Older Americans	919	1015	713	- 22
Vocational Rehabilitation	574	1225	861	+ 50
Head Start	700	1075	755	+ 8
Child Nutrition	3834	3478	2444	- 36
WIC	758	1617	1136	+ 50
CSBG	557	0	0	-100

COMMITTEE ON EDUCATION AND LABOR
DISSENTING VIEWS AND ESTIMATES
ON THE FISCAL YEAR 1987 BUDGET

This Committee faces difficult choices over the next few months regarding the programs under its jurisdiction. These programs represent an investment in this nation's human capital. In order for us to remain competitive and productive, we should continue to place priority on programs that foster quality education and training opportunities for those who are economically or educationally disadvantaged. We must also protect the civil rights of those who cannot protect themselves, and we should provide alternatives for those who, through no fault of their own, find themselves unemployed, uneducated or disenfranchised. The Republican Members of this Committee believe that without adequate support for the programs under its jurisdiction, the price that we will pay later is many times that of the cost of providing those programs today.

The Majority Members of the Education and Labor Committee again this year propose to fund the programs within the Committee's jurisdiction at not less than the current services level as estimated by the Congressional Budget Office for the coming fiscal year, with selective increases in some programs.

We, too, would like to fund many of these programs at the same or even higher levels. Successful programs -- such as Head Start, WIC and the Job Training Partnership Act -- are reaching only a fraction of those people who could benefit from them.

The Majority's approach, identical to that which it took last year, runs contrary to any responsible budgetary policy. Only two months ago, Congress committed itself to eliminating the deficit over the next five years. To do so will require some tough choices and a thorough reexamination of the federal government's role in many areas. It is our responsibility to make those choices and shape that role, rather than watching passively while deficits continue and the sheer cost of financing the debt squeezes out domestic discretionary spending.

The House Budget Committee is faced with the unenviable task of sitting down and writing a budget, presumably meeting the deficit target for fiscal year 1987. A distaste for the budget process should not excuse this Committee from some measure of responsibility.

To suggest that all programs should be funded at current services levels is to suggest that all programs are of equal value. This is obviously untrue. Freezing, reducing or eliminating programs within the Committee's jurisdiction may not sit well with many people, including some of our constituents.

However, they are certainly better served by this course than by blithely ignoring the enormous federal deficit.

The vast majority of spending under this Committee's jurisdiction is worthwhile and important. Yet despite the priority we place on these programs, we also recognize the importance of trying to reduce the overall deficit. Although it may be difficult, we are willing to begin by using the first Gramm-Rudman sequester of 4.3 percent, as applied to the programs under this Committee's jurisdiction, as our baseline.

Further, we are willing to examine additional options to achieve greater savings, if we can be assured that these programs will be treated no worse than other federal programs. It is difficult for us though, to provide specific figures until we know how other programs, especially defense, are to be treated.

This process is difficult, but is nonetheless one which we must begin. The imposed timetable is tight, and as we proceed, we may not know the exact outcome. We do know that starting this process from a base of current services levels will only create unmet expectations. To start the negotiations from a current services base removes this Committee from the process. It is simply not a defensible or responsible position.

In its February report, The Economic and Budget Outlook: Fiscal Years 1987-1991, the Congressional Budget Office (CBO) projects a deficit for FY 1987 of $181 billion if Congress fails to make further savings. Significantly, this estimate assumes no real growth in defense. If defense were to increase, if entitlements grow above current services, if domestic discretionary spending increases in real terms, or if CBO's economic assumptions prove too rosy, the deficit will be higher. And if the past few years have taught us anything, it is to approach such assumptions with caution.

Even if all goes as predicted by CBO, we will still exceed our deficit target by $37 billion. Using the alternative baseline outlined in Gramm-Rudman, we would exceed the target by $22 billion.

Under the sequestration procedure, inaction would trigger an estimated 8.6 percent cut in domestic discretionary programs, far worse a consequence than we are proposing. Not only would the cuts be deeper, but they would be made arbitrarily across-the-board.

It is important to bear in mind that the sequestration process is extremely sensitive to the size of the excess deficit. For domestic programs, the sequesterable base is under $110 billion. Every additional $10 billion of deficit spending above the target, half of which must be offset by domestic cuts, makes those cuts about 5 percent deeper. Using current services figures from a pre-sequester base, plus providing further individual program increases, does not reduce the difficulty of the task, but instead increases it.

None of us wants to diminish the relative priority of the programs under this Committee's jurisdiction. We do not all agree with the increases that are being proposed for defense, nor do we all agree with the proposed reordering of domestic priorities in the President's budget.

If reductions in funding for the programs under this Committee's jurisdiction are necessary, this Committee must play a role. We have examined various options which range from a post-sequester freeze to the potential of a second Gramm-Rudman reduction without the sequester order, and are establishing funding priorities within each option. We are ready to offer responsible alternatives, once we know the burden that defense will shoulder.

Some priorities are clear. We believe that priority should be given to programs that develop or maintain the ability of our "at risk" populations to achieve self-sufficiency. To this end, if possible, increased funding should be provided to programs such as Head Start, which provides disadvantaged children a chance to break out of the cycle of poverty, and the Administration on Aging services and meals programs and the Older American Act Volunteer Programs, which allow the elderly in our society to maintain their independence.

Other programs which provide valuable services and assistance, such as Runaway and Homeless Youth grants, Native American grants, the Community Services Block Grant, Missing Children programs, and Employment for Older Americans, should continue to receive adequate funding to effectively address the serious problems these programs are designed to alleviate.

The Basic State Grant under JTPA, which provides training to disadvantaged, unemployed adults and youth, should be maintained as close to current funding levels as possible in order to continue its present level of effectiveness. Similarly, the Summer Youth and Employment Program should be given high priority when determining funding. While slight reductions might be necessary, it must be kept in mind that the Summer Youth Program is one of our most effective tools in dealing with the problems of youth unemployment, high student drop-out rates, and with providing otherwise non-existent opportunities to disadvantaged young people. Therefore, we believe that making significant reductions in funding for Summer Youth would be unwise at this time.

Of utmost importance to our Nation's unemployed, the Dislocated Worker's Program provides training, retraining, job search assistance, and other support services to individuals who have been displaced from jobs. This program, which was reduced by 55 percent in 1986, before sequestration, is often the only hope for many workers of finding new employment opportunities. We must make every effort to preserve this program at its current level of funding.

Important training and education functions are also authorized and funded under the Education of the Handicapped Act and the Vocational Rehabilitation Act. These programs merit the highest priority as they serve a large number of needy individuals -- handicapped children, youth and adults. We should strive to maintain these programs at their current service levels.

Vocational and Adult education have also proven effective in training and educating our citizens. These programs, like Chapter 1, Indian Education, Child Nutrition and the Women, Infants and Children program, have stood the test of time and have been shown to be effective in achieving their purposes. Each has wide support in Congress and across the country.

We believe that a 1987 budget should include a deficit-reduction plan which recognizes priorities for higher education programs which strengthen educational opportunity and access. Of those programs, Pell grants are perhaps the most important, and should be maintained at the current services level for FY 1987. Pell grants play a vital role in student financial assistance, providing the basic foundation of assistance for our nation's neediest students.

Maintaining the current level of participation in the Guaranteed Student Loan (GSL) program is our next priority. Similarly, the major role that GSL program plays in financing postsecondary education expenses for millions of students must be preserved. We also recognize that other student aid programs play a valuable role in helping students meet the cost of attending college and, to the extent possible, funding for these programs should be continued.

We believe that significant cost savings can be achieved through administrative program changes contained in H.R. 3128, the Omnibus Budget Reconciliation Act of 1985, and H.R. 3700, the House-passed bill reauthorizing the Higher Education Act. We urge the adoption of these cost-saving measures.

Also contained in H.R. 3128 are several important reforms to the Single-Employer Termination Insurance program, administered by the Pension Benefit Guaranty Corporation (PBGC). We believe it is essential that a premium increase be enacted as soon as possible to reduce the nearly $1.3 billion deficit in the

Single-Employer program, which is predicted based upon actuarial assumptions. We intend to work in a bipartisan fashion to achieve this premium increase and other reforms recommended in the Administration's budget.

We are also concerned by the substantial deficit within the Black Lung Trust Fund and recommend that Congress move quickly to shore up the financing of the Trust Fund by doubling the coal tax as recommended by the Administration. Although an estimated $1.0 billion will be needed to fund the Trust Fund's anticipated expenditures for FY 1987, receipts are estimated at only $580 million, or about 56 percent of expenditures. Increasing the coal tax, however, is only a partial solution. We urge a close examination of the Black Lung program to ensure that benefits are awarded promptly and correctly as well.

Some priorities are already clear, others will develop as Congress reaches a consensus on the balance that is necessary between defense and domestic programs to achieve our deficit target. We do not want to "bid-against-ourselves" in the process. Reductions can be made if necessary, but the programs under this Committee's jurisdiction should not bear an unfair share of those cuts.

The President's budget in part recognizes the importance of these programs, and reduces them less than many other programs in the budget. We should not subject the programs under this Committee's jurisdiction to cuts in the aggregate greater than the President has proposed to meet the deficit target. Indeed, that figure should probably be viewed as one end of the range within which reductions may have to occur. What remains critical is that as the authorizing committee we have a hand in determining the priorities by which those reductions are made. We cannot leave that priority setting to chance.

It is not comfortable to find ourselves in this position. Increasing funding and adding new programs is always an easier job. Unfortunately, that is not the job we are here to do. The choices we make must be informed ones. In order to make the budget process work, and to bring down the deficit, we are committed to making those choices.

DISSENTING VIEWS AND ESTIMATES ON THE FISCAL YEAR '87 BUDGET

Jim Jeffords
James M. Jeffords

Rod Chandler
Rod Chandler

Bill Goodling
William F. Goodling

Tom Tauke
Thomas J. Tauke

Tom Coleman
E. Thomas Coleman

John R. McKernan Jr.
John R. McKernan, Jr.

Harris W. Fawell
Harris W. Fawell

Paul B Henry
Paul B. Henry

Steve Bartlett
Steve Bartlett

INDIVIDUAL VIEWS OF REP. MARGE ROUKEMA

I concur with my minority colleagues in their criticisms of both the Committee's recommendations and the Administration's budget. In the former case, a "current services" spending target is simply unrealistic when we are trying to balance the budget and avoid the perfunctory Gramm-Rudman sequester process at the same time. In the latter case, it is equally unrealistic and outrageously unfair to urge massive cuts in the programs within our jurisdiction in order to meet the targets of both Gramm-Rudman and an unnecessary and costly "real growth" in defense spending.

Therefore, I believe that this Committee would most responsibly exercise its role in the budget process by adopting a middle ground which rejects the deep cuts proposed by the President while also assuming that cuts below a freeze at current FY 1986 (post-sequestration) levels will be necessary.

Like my Republican colleagues, I also have priorities among the programs within our jurisdiction which I intend to share with the Budget Committee at the appropriate time. However, I assume that even these programs will have to receive modest reductions to meet the overall targets. Moreover, I strongly believe that many ineffective or low-priority programs can be eliminated which, in turn, can be used to take some of the pressure off of those programs which are working. Unfortunately, in the past, our "current services" mentality has prevented us from making such choices. Indeed, the paring away of such programs should occur anyway for public policy reasons quite apart from fiscal necessity.

I joined the majority of my colleagues in the House in voting for the Gramm-Rudman legislation because I believe that it finally provides the tool to achieve necessary reductions in the deficit. I did so with the sincere hope that the sequestration process -- which is blind to the relative worth of each program -- would never take place. I fear that, by refusing to make hard choices even at this early stage in the process, we will jeopardize all of these programs by enhancing the prospects of sequestration.

Marge Roukema

Marge Roukema, M.C.

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U.S. House of Representatives
Committee on Energy and Commerce
Room 2125, Rayburn House Office Building
Washington, DC 20515

February 25, 1986

Honorable William H. Gray III
Chairman
Committee on the Budget
Room 214, Annex 1
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to section 300 of the Congressional Budget and Impoundment Control Act of 1974, as amended, I am enclosing for your consideration the Views and Estimates of the Committee on Energy and Commerce with respect to the President's Fiscal Year 1987 Budget.

The budget proposed by President Reagan for programs within the jurisdiction of this Committee would, if enacted, limit progress toward meeting the challenges posed by hazardous waste sites throughout the Nation; deal a crippling blow to health care for all Americans, but especially for the elderly, the sick, and the poor; terminate virtually all intercity rail passenger service within the United States; and threaten the Nation's energy security.

These are but examples of the havoc the Administration's proposals would wreak. In fact, dozens of domestic programs would be gutted by the President to feed an already bloated defense establishment. And those proposed domestic cuts would undoubtedly be larger were it not for the Administration's accounting gimmickry and "tag sale" approach to deficit reduction. Enactment of the President's budget would have a dramatic adverse impact on the quality of American life for generations to come.

Two significant points should be borne in mind when considering the enclosed Views and Estimates. First, although they do not focus specifically on many of the independent regulatory agencies within this Committee's jurisdiction, it is plain that the President is attempting to accomplish in the budget process what his ideological compatriots have been unable to accomplish in the courts -- the demise of those agencies as regulators and the very politicization of decisionmaking that these agencies were established to protect against. The independent regulatory agencies within this Committee's jurisdiction consume a miniscule portion of Federal resources -- in fact, less than one-tenth of 1 percent. Yet the protections they provide are vital to the safety of the American people and to the health and stability of our national economy. The President's political assault on these independent authorities should be rejected.

Second, the Committee's Views and Estimates make few references to the effects of Gramm-Rudman's sequestration procedures. However, even if the pending legal challenge succeeds in overturning the upcoming March 1 sequestration, the law's fallback procedure means that these or substantially similar cuts may be imposed in any event. Under either scenario, the cuts proposed by the President in his Fiscal Year 1987 Budget will be that much more devastating, particularly in the areas of health and civilian energy programs. Moreover, the President is proposing massive rescissions, deferrals, and reprogrammings for Fiscal Year 1986 that could severely compound the problem.

The Committee on Energy and Commerce has recognized the need to reduce the Federal deficit responsibly. During the Fiscal Year 1986 reconciliation process, this Committee exceeded the savings assigned to it in the budget resolution by $850 million. Although programs under this Committee's jurisdiction account for less than 10 percent of all Federal spending, we have responded to the deficit crisis conscientiously.

This Committee again stands ready to work with you to achieve a fair, balanced, and responsible budget package for Fiscal Year 1987. I look forward to building upon the cooperative relationship we established in the last Session to achieve that important goal.

Sincerely,

JOHN D. DINGELL
CHAIRMAN

Enclosure

VIEWS AND ESTIMATES OF THE COMMITTEE ON ENERGY AND COMMERCE

ENVIRONMENTAL PROGRAMS

The Administration's budget request for Superfund is grossly inadequate to meet the Nation's clean-up needs.

The Administration's budget request for Superfund commits $1.05 billion to the program in FY 1987. This figure assumes that the total funding level for a five-year reauthorization of the program would be $5.3 billion. At that level, it would take more than thirty years to finish clean-up at the Nation's worst abandoned hazardous waste sites.

Both the House and Senate have passed Superfund reauthorization legislation, and a conference on the differing versions of that legislation is now getting underway. The Senate legislation sets a $7.5 billion funding level for the reauthorized program, while the House funding level is $10 billion.

The Administration's proposed funding level of $5.3 billion will be enough to pay for the clean-up of 500 sites at most. The Environmental Protection Agency (EPA) estimates, however, that the Superfund National Priorities List will quickly grow to 2,200 sites, and that clean-up could cost the Federal Government $23 billion. A recent study by the General Accounting Office (GAO) found that over 4,000 sites will qualify for the National Priorities List over the next few years, and that the Federal share of clean-up costs could reach $39 billion. The Administration's request is clearly inadequate to meet these needs.

The Administration's proposal also ignores other critical needs, such as health effects studies in waste site communities and the funding of long-term operation and maintenance of sites where clean-up has been completed.

The President proposes to cut clean air and drinking water programs at a time when the nation is faced with continued assaults on, and contamination, of our air and water supplies.

The Clean Air Act empowers the EPA to research, set, and enforce standards to safeguard the public's air supply. The President's proposal would cut the abatement, control, and compliance functions at EPA, as well as the research and development function. Included is a hefty cut in inspections of stationary sources.

The Safe Drinking Water Act, administered by the EPA, authorizes programs for the supervision of public water supply systems and for the protection of underground sources of drinking water. The President's proposal to reduce funding for the nation's drinking water control program comes at a time when Congress is updating this law to force EPA to set standards for many of the dangerous chemicals appearing in tap water. Under the President's budget, few new standards could be set. The Office of Technology Assessment estimated that there are more than 200 substances requiring attention in groundwater alone, including such well-documented dangers as EDB, uranium, asbestos, and benzene. The President's budget will also shortchange enforcement of existing tap water standards at a time when almost half of all water systems in the country have violations.

The President's proposal to convert pollution control programs into a block grant is an effort to further dismantle the Federal-State partnership needed to protect public health and the environment.

Currently, Federal pollution control grants to states and local agencies are earmarked for air, water, hazardous waste, pesticides, and toxic substances activities. Each program receives funding to carry out the Federal statutes enacted to protect public health and the environment.

The President's proposal to consolidate the grants is an attempt to blur the importance of the statutory mandates. As in other areas where it has proposed block grants, the Reagan Administration is trying to lay the groundwork for further cuts in State grants.

The Administration's budget request endangers millions of school children and workers by proposing to gut the asbestos school loan program.

The Administration's FY 1987 budget does not include a request for any money to be appropriated for the loan program established under the Asbestos School Hazard Abatement Act (ASHAA), even though the FY 1987 authorization for the program is $100 million. The program is designed to provide interest-free loans (and a limited number of grants) to needy school districts for the purpose of cleaning up hazardous asbestos -- a well-known carcinogen. EPA has estimated that 15 million school children and 1.5 million school workers are exposed to hazardous asbestos.

HEALTH PROGRAMS

The President's budget request for health programs would deal a crippling blow to health care for all Americans.

The Reagan Administration's FY 1987 budget proposals would reduce Federal health spending by nearly $73 billion over the next five years. According to preliminary CBO estimates, outlays for Medicare would be slashed by $52.8 billion, Medicaid by $9.9 billion, and biomedical research and public health programs by $10.1 billion. If enacted, these proposals would cripple our ability to protect and improve the health of all Americans and renege on our commitment to improve access to health care services for poor, elderly, and disabled Americans.

Health programs have already been cut substantially in the past five years. As a result of President Reagan's first-term budget proposals:

-- Medicare funding was cut by more than $21 billion. The elderly and disabled have shouldered much of the burden.

-- Medicaid funding was cut by more than $4.4 billion. In many States, eligibility and benefits for the poor have been restricted despite a growing uninsured population.

-- Public health funding programs have suffered major reductions in funding support. Since 1980, total dollar funding for public health has been reduced by more than $400 million and, if inflation is taken into account, funding levels have already been cut by more than $1 billion. To cut an additional $10 billion in just one year is difficult even to fathom.

The health of the American people has suffered from these deep cuts during the last five years. Progress in reducing infant mortality has slowed. New epidemics and potential recurrences of old ones threaten the health of the American people. The drinking water for half the U.S. population is contaminated with industrial chemicals and pesticides. Roughly 35 million Americans have no insurance to help pay for access to hospital and physician care when they are sick; many of them are forced to go without needed care because of inability to pay.

If the Presidential sequestration order that goes into effect on March 1, 1986 under Gramm-Rudman is upheld by the Supreme Court, or if Congress approves the same reductions under the law's fallback procedure, further cuts in Medicare of $374 million and in public health programs of $392 million will be imposed.

The Committee acknowledges the need to reduce the Federal deficit. In compliance with the FY 1986 budget resolution, the Committee reported a series of carefully crafted changes in the Medicare and Medicaid programs which would have resulted in savings over a three-year period of $2.4 billion without adversely affecting beneficiaries. While these provisions, nearly all of which were included in the conference agreement on the Consolidated Omnibus Budget Act of 1985, H.R. 3128, have not been enacted, the Committee will continue to support their adoption.

In sharp contrast to the reforms adopted by the Committee in the FY 86 reconciliation process, the President's proposed changes would cause serious damage to the health and welfare of some of the Nation's most vulnerable citizens. For example:

-- Medicaid spending would be cut by about $1.3 billion in FY 1987 and $9.96 billion over the next five years. Of even greater consequence, a limit on Federal Medicaid payments would strip the poor of their entitlement to basic health care.

-- Medicare expenditures would be cut by an additional $4.8 billion in FY 1987 alone, and by $52.8 billion over the next five years. The Administration's proposals would shift at least $22 billion in additional costs onto Medicare beneficiaries and limit payments to providers. Access to quality care for the elderly and disabled would undoubtedly be impaired.

-- Funding for research and control of the Acquired Immune Deficiency Syndrome (AIDS) epidemic would be cut by 16 percent in FY 1986 under the President's proposed rescission and by 21 percent in FY 1986 if the Gramm-Rudman cuts are upheld. AIDS funding would effectively be reduced by 21 percent below the current services level in FY 1987.

-- Public health delivery and protection programs, such as childhood immunizations and the community and migrant health center programs, would be cut or frozen in FY 1987, further eroding coverage by failing to adjust for inflation or expand funding for new and pressing needs.

-- Biomedical research, primary care training programs, and educational assistance for low-income students would be reduced, and in some cases eliminated, undermining the strength of the health care system.

-- Health and safety regulatory activities would be compromised by frozen budgets and agency personnel cuts.

The President's request for yet another round of deep cuts in vital health programs is unacceptable. Specifics on individual programs follow:

The President again proposes to cut health care for the poor by capping Medicaid.

The President's proposal to cap Medicaid would effectively terminate the Federal commitment to health care for 23 million poor Americans by forcing States to limit benefits and eligibility. Federal health care spending for the poor would be cut by at least $9.9 billion over the next five years.

The President wants the Federal Government to renege on its 20-year commitment to provide health care services to 3 million elderly poor, 3 million mentally retarded and physically disabled poor, 11 million poor children, and 6 million poor mothers. The safety net for the most vulnerable of our society, already badly torn, would be destroyed entirely.

It would be grossly irresponsible for the Federal Government to cap Medicaid at a time when the elderly population most likely to need nursing home services is growing; when progress is reducing infant mortality has slowed; and when the number of Americans without health insurance has grown from 25 million in 1977 to 35 million in 1984.

The President's proposed Medicaid cap would permanently limit the Federal government's financial participation in health care for the poor. It would also leave States with the increased burden of responsibility for funding health care for the poor if unemployment rises or the need for medical services increases due to an epidemic like AIDS. Either the states would have to spend more money, or poor people would not get services. The President's proposal would ask States to assume responsibility even during economic downturns, when their ability to finance indigent care is undermined by a declining revenue base.

As currently structured, Medicaid requires a substantial financial contribution by the States. Nationally, about 45 percent of all Medicaid funds are raised by State and local governments. This State financial stake provides a strong incentive for States to operate their programs in a cost-effective manner. Since 1981, the States have instituted a wide variety of cost-control mechanisms, including prospective payment systems, utilization controls, and fraud and abuse protections. There is no significant amount of waste, fraud, or abuse in this program. Further cuts in Federal support will not result in further efficiencies; rather, they will result in rationing of care and denials of service for the poor.

The President proposes to freeze or eliminate programs to protect the public's health.

The President's proposals to cut vital public health protection programs presents a serious threat to the health of the American people.

-- AIDS research and prevention activities are aimed at controlling the epidemic that has killed almost 10,000 Americans since the initial outbreak in 1981. As many as 2 million Americans have been exposed and their risk of contracting AIDS is unknown. It is estimated that there will be at least 80,000 AIDS cases in the U.S. by the end of 1987. While the President's budget would effectively reduce funding by over 20 percent, significant additional funding is required to identify the cause of this deadly disease, find effective treatment methods, demonstrate cost-effective methods for providing care, and stop the rising death toll.

-- The childhood immunization program makes grants to states to vaccinate children against such diseases as polio, diphtheria, and measles and has been highly successful in helping to reduce the incidence of these dread diseases. The Presidents's proposed reductions in this program would cut the number of children that can be immunized by many as 500,000 and would increase the risk of outbreak of preventable childhood diseases.

-- The Federal Government maintains a stockpile of vaccines to assure that needed vaccines are available if vaccine manufacture is interrupted or the supply is damaged or destroyed. The President's proposed budget would leave the Nation vulnerable to a vaccine shortage, such as was experienced last year with vaccines against diphtheria, pertussis and tetanus. At the present time, the stockpile contains only two-thirds of an adequate supply of vaccine against polio and measles and contains only one-third of needed vaccine against diphtheria, pertussis, and tetanus. The President's budget would include no funds for further vaccine purchases.

-- The sexually transmitted disease control program is authorized to make grants to States to identify and treat cases of such venereal diseases as syphilis, gonorrhea, chlamydia, and herpes. The President's proposal to freeze funding at the pre-Gramm-Rudman level would allow no new activities and barely support ongoing syphilis and gonorrhea control efforts. Yet, in FY 1985, the number of gonorrhea infections increased for the first time since 1980. In this year alone, there will be 3 million new cases of chlamydia and one out of every 20 newborns will have a preventable chlamydia-related infection, ranging from eye disorders to blindness or pneumonia. In addition, more than 1,000 babies will suffer from preventable herpes infections that will leave half of them dead and a quarter mentally retarded.

-- The tuberculosis control program seeks to identify and treat victims of tuberculosis (TB). The President's budget eliminates all funding for TB control at a time when the threat to the public is growing because of the high rates of TB among the expanding homeless population.

The President proposes to freeze or cut funding for health care delivery programs for low-income citizens.

The President's proposed cuts in programs designed to serve low-income people would reduce access to care, especially in medically underserved communities and for populations with special needs. The President also proposes to convert the community health center, migrant health center, and family planning categorical programs into a block grant program.

-- The Maternal and Child Health Block Grant enables States to provide a range of health services to pregnant women, infants, and disabled children. The President's freeze at the pre-sequestration level would reduce the availability of prenatal and pregnancy-related services for poor and disadvantaged women and reduce the availability of well-baby care as well. It would impede the Nation's efforts to lower its infant mortality rate, currently among the worst of the developed countries.

-- Community and Migrant Health Centers are categorical programs which provide health care services to 5 million medically underserved urban and rural residents, 250,000 migrants, and 300,000 seasonal farm workers and rural residents. More than 60 percent of Community Health Center users and 80 percent of Migrant Health Center users are poor. The proposed cuts of $26 million, plus the conversion to a block grant, would lead to cutbacks in service to these current users and prohibit the provision of care to the increasing numbers of uninsured Americans.

-- The National Health Service Corps (NHSC) places doctors and other health care providers who receive scholarships for their educational training from the NHSC in communties with a shortage of providers. NHSC providers serve for up to four years, care for all residents of their communities and charge all users for their care. Federal appropriations cover the cost of serving the uninsured poor. The President proposes to cut the NHSC appropriations by 20 percent and eliminate the scholarship program. As a result, many poor and uninsured people would be denied care. Without further scholarship awards, the NHSC will effectively be terminated because there are very few new obligated doctors and other providers to place in underserved areas.

-- The Family Planning program (Title X) is the mainstay of the Nation's efforts to expand access to contraceptive services among low-income women and teenagers to help to minimize the incidence of unintended pregnancies. The President's plan would result in a reduction in the availability of services for 9.5 million poor women at risk of unintended pregnancy as well as an increase in the number of abortions. More than 80 percent of the users of federally subsidized family planning services are low-income.

-- In addition to operating its own delivery system on reservations, the Indian Health Service contracts with rural tribal organizations to deliver services and provides grants for health care projects for Indians in urban areas. The President's proposed $161 million funding cut would terminate critical programs for urban and rural Indians and force massive rationing of care in the remaining parts of the Indian health delivery system. A recent Office of Technology Assessment (OTA) study concluded that, even at current funding levels, "there is considerable need for health services which is not being met by the current IHS system." The OTA study also found that current hospitalization data "imply that access to health care for Indians has decreased." To impose additional funding reductions on an already underfunded program, as the President has proposed, would be to abrogate the Federal trust responsibility to the Indian people, more than one-fourth of whom are poor.

-- Under the Refugee and Entrant Assistance program, the Federal government pays 100 percent of the cost of Medicaid coverage for refugees during their first 36 months in the country, whether or not they meet the program's categorical eligibility requirements. Over and above the need to treat refugees, an obvious benefit is preventing the spread of imported diseases to the general population. The President's budget proposes to cut the coverage period to 18 months and to provide this medical assistance through a discretionary grant program. Eligibility for Medicaid would be terminated. The Committee can discern no policy justification for terminating coverage of refugees in this manner.

The President proposes to cut Medicare by making 31 million elderly and disabled Americans pay more for their care.

The President is once again proposing that Medicare beneficiaries pay a higher premium, pay a higher deductible, and take on new co-payments for home health care and outpatient surgery. These new burdens would be coupled with a delay of one month in initial eligibility. The so-called "savings" from these proposals would be $1.4 billion in FY 1987 and $22.6 billion over five years.

The Part B premium would rise from $15.50 per month under current law to $18.70 in 1987 and $36.60 in 1991. By 1991, the deductible would be approximately $120 instead of the current $75. Meanwhile, the out-of-pocket cost of hospital care continues to mount. On January 1 of this year, the Part A inpatient hospital deductible jumped from $400 to $492.

The proposed cuts would further undermine the economic security of the elderly and, ironically, would hit those who are sick the hardest. The elderly today spend a greater percentage of their income on health than before Medicare was enacted. Medicare is already paying for less than half of the elderly's physician care. The President's budget would only increase the financial burden, an approach that the Congress has consistently rejected.

The President proposes to cut Medicare by reducing payments to providers for care to the elderly and disabled.

The President is proposing to save more than $3 billion in FY 1987 and $31 billion over the next five years by cutting or freezing payments to hospitals, physicians, and other health care providers.

The President wants to cut nearly $27 billion from payments to hospitals by limiting the increase in the DRG payment rates, reducing the direct cost reimbursement for medical education, cutting the indirect teaching adjustment in half, and reforming the way capital is reimbursed.

The President's indiscriminate cuts in hospital payments could undermine implementation of the prospective payment system. The President's proposals would hit all hospitals, regardless of whether they are operating at a surplus under the prospective payment system or are unable to avoid operating at a loss without reducing quality of care. The proposed cuts ignore the needs of hospitals serving a disproportionate share of low-income patients or serving patients with greater severity of illness. Hospitals are unable to absorb further cuts of this magnitude, and access to quality care for Medicare beneficiaries will be impaired as a result.

The President also proposes to make selective reductions in payments for physician services, totalling $3.2 billion in savings over five years; to make selective cuts in durable medical equipment and other Part B services, totalling $550 million over 5 years; and to freeze clinical laboratory fees, yielding $245 million over five years. There are legitimate concerns about how these measures will be implemented, and the savings projections appear to be unrealistically high.

In stark contrast to the President's proposals are the thoughtful reforms and targeted reductions incorporated in the Conference Report on H.R. 3128, the Consolidated Omnibus Budget Reconciliation Act of 1985, which is still pending adoption. If that bill is not enacted, its Medicare provisions should be presented to the Congress again as FY 1987 initiatives (excluding the limited extension of the physician fee freeze, which would be overtaken by time and intervening events). These proposals would produce net savings of over $1 billion in FY 1987 without adversely affecting beneficiaries, although necessary adjustments due to delay in enactment would likely reduce these savings.

The President proposes a dangerous reduction in biomedical research.

The President's proposals would seriously disrupt promising research activities:

-- The National Institutes of Health (NIH) conduct and support biomedical research that seeks to treat and cure diseases, including cancer, heart disease, diabetes, and Huntington's disease. The President's proposed $417 million cut in NIH funding would mean a 17 percent reduction in the number of new and competing biomedical research grants. This would mean 1,060 fewer new research projects, including efforts to fight cancer, to treat and prevent heart and lung disease, and to find a cure for arthritis and kidney disease.

-- The number of promising young scientists and physicians that can be trained as biomedical researchers will be reduced by more than 1,200. Such reductions will jeopardize the nation's ability to meet future needs in the rapidly expanding field of health research.

The President proposes to eliminate all Federal support for health professions educational assistance.

The health professions programs provide assistance to individual students and educational institutions. The President's proposal zeroes out a program designed to assure that students from disadvantaged backgrounds have access to education for the health professions and that health professionals are trained to meet national needs in primary care, public health, and nursing. In 1985, nearly 28,000 students from disadvantaged backgrounds received educational assistance. The President ignores the real propose of these programs when he seeks to justify his proposal on the ground that we have an oversupply of physicians. These programs are targeted to correct specific shortages that remain despite increasing physician supply.

The President proposes to undermine the capacity of health and safety regulatory agencies.

The Consumer Product Safety Commission (CPSC) and the Food and Drug Administration (FDA) protect the public's health and safety, but the President's budget would freeze or cut support for these agencies.

-- The CPSC seeks to reduce unnecessary deaths and injuries resulting from dangerous consumer products. Since 1982, the CPSC budget has been cut by more than 25 percent and personnel levels for agency activities have been slashed. Cuts have affected projects to address children's hazards, studies of fires, and the investigation of hazardous chemicals. Now, a further 8 percent cut is proposed -- taken, of course, from a substantially lower base.

-- The FDA protects the public against hazardous foods, drugs, biologics, cosmetics, medical devices and radiological products. The President proposes across-the-board funding cuts and personnel reductions in every major agency activity. His plan would compromise the agency's ability to carry out such important functions as speeding up the approval of new drugs, implementing the new approval system for generic drugs, promoting the development of orphan drugs for uncommon diseases and illnesses, enforcing requirements on drugs already approved, and monitoring the safety of our food supply.

In summary, the President's budget proposals for health programs pose a serious threat to the health of the American public.

President Reagan's FY 1987 budget proposals for health programs poses a serious threat to the health of the American public and could jeopardize the availability of quality health care services for poor, disabled, and elderly Americans. Yet, as devasting as any of these proposals is on an individual basis, it is the interaction of all the proposals that poses the most serious threat.

None of the health programs stands alone. Each contributes to our efforts to improve and protect the health of the American people. For example, the President is proposing to impose a permanent cap on Medicaid spending for health care of the poor and would cut nearly $10 billion from the program by 1991. He is also proposing to increase cost sharing under Medicare, which in turn would increase Medicaid spending for the 4 million poor elderly and disabled Americans covered by both programs. Astonishingly, the President attempts to justify his proposed cut in the Indian Health Service budget in part on the grounds that Medicaid collection will be increased.

The Federal dollars we spend on health care for the American people are an investment in the future of the Nation. Many health programs, of course, actually reduce future expenditures because prevention of disease today is generally less costly than its cure tomorrow. Moreover, the President's ill-conceived proposals to reduce Federal spending will erode the tremendous gains we have made over the last two decades in improving the health of the American people.

TRANSPORTATION PROGRAMS

The Administration has again proposed the elimination of all Federal funding for Amtrak, a death blow to the nation's rail passenger system.

Under the President's FY 1987 budget, all Federal funding for Amtrak would be eliminated and, as a consequence, all Amtrak service would terminate on October 1, 1986.

Amtrak carries nearly 21 million passengers per year to 503 stations over its 24,000 mile coast-to-coast network. If Amtrak service were eliminated, major urban areas of our nation, particularly in the Northeast Corridor, would lose a significant mode of passenger transportation.

Many rural areas would become further isolated. For example, twenty eight communities served by Amtrak have neither bus nor airline service. Furthermore, in severe weather, Amtrak may be the only safe, available mode of transportation.

Amtrak has become more cost-efficient over the past several years, and its performance continues to improve. Its operating revenues in FY 1985 increased 8.8 percent over FY 1984, an all-time high. Its revenue-to-cost ratio was 58 percent, another all-time high and a marked improvement over FY 1981's ratio of 48 percent. Its traffic density in FY 1985 was the highest in Amtrak's history. Total passenger miles were up 6 percent in FY 1985 over the prior year, and new ridership records were set on several West Coast routes.

In 1985, between and among major city pairs from New York to Washington, Amtrak carried an average of 16,500 intercity passengers a day compared with only 8,000 non-connecting passengers carried by all the airlines combined. Between the endpoints of New York and Washington, Amtrak carried 31% of the 9,800 combined air and rail passengers a day. The already crowded airports in New York and Washington and the congested highways could not absorb these extra travelers if rail service were terminated.

The elimination of Amtrak would also result in greatly increased costs for several commuter authorities which operate along the Northeast Corridor. For example, New Jersey Transit would have to pay $43.2 million more and the Southeast Pennsylvania Transportation Authority (SEPTA) would have to pay $24.6 million more just to maintain the Corridor.

Ironically, Amtrak's elimination would cost more than it would save. Labor protection costs stemming from the elimination of 25,000 jobs -- costs to which the federal government is committed -- could range between $600 and $800 million in FY 1987 and a total of $2.1 billion over six years. A $3 billion dollar capital investment would be lost.

The President's proposal to eliminate Amtrak represents not only poor transportation policy, but transparent budget gimmickry that will actually have adverse consequences for the Federal deficit.

The Administration's proposal for the sale of Conrail is surrounded by significant questions.

The Administration's budget assumes undistributed receipts of $1.2 billion from the sale of Conrail. These receipts would be realized upon a sale of the railroad to Norfolk Southern Corporation, whose purchase bid was endorsed by the Secretary of Transportation on February 8, 1985.

Legislation necessary to implement the Secretary's plan was passed by the Senate on February 4, 1986. However, despite more than a year of intensive review by the House Committee on Energy and Commerce, many serious questions concerning the Norfolk Southern proposal remain unanswered. Among these are questions concerning the adequacy of the proposed sale price of $1.2 billion; Conrail's long-term viability, which the Secretary and Norfolk Southern have challenged; the effect of a sale to Norfolk Southern on rail competition in the Conrail service region and elsewhere; the long-term effectiveness and viability of the divestitures proposed by the Administration to remedy antitrust problems; the effects on rail shippers of a potential reduction in competition; and, the tax consequences to the federal Treasury of a sale to Norfolk Southern.

No issue, however, has received more attention than the question of price. While Norfolk Southern would pay $1.2 billion for the railroad, alternative proposals have been made for $1.4 billion and $1.8 billion. Conrail has more than $800 million cash on hand, generated $440 million in 1985 profits, could produce substantial tax savings, and has a physical plant worth billions, paid for largely with taxpayers' dollars. One may reasonably question, therefore, whether any of the sale proposals offers an adequate price.

The Committee is currently awaiting necessary information regarding the proposed sale from several of the parties involved in this issue. Once this information is received, the United States Railway Association and the investment banking firm of Lazard Freres & Co. will be conducting detailed analyses for the Committee of the operational and financial aspects of the various sale options. Finally, the Department of Justice on February 14, 1986, retained a consultant to examine the proposed divestitures, which the Department has stated are necessary to solve various antitrust problems created by the Norfolk Southern proposal. The consultant's report will probably not be completed until mid-April at the earliest.

The Committee cannot act responsibly on any Conrail sale proposal in the absence of full and accurate information. As soon as all necessary information has been made available and the analyses mentioned above are completed, the Committee will move as expeditiously as possible. As the Administration attempts to balance the budget by privatizing major Federal activities, it is critical that this first major privatization effort ensure a fair return to the taxpayers and a sound result -- in this case, a viable rail system in the Northeast and Midwest that will serve the needs of the entire Nation.

The Administration's proposals to abolish the Interstate Commerce Commission and transfer its functions to the Department of Transportation are based not on budgetary considerations, but on inappropriate views as to the role of independent regulatory agencies.

The Administration has proposed the abolition of the Interstate Commerce Commission (ICC) in FY 1987. While there are conflicting views as to whether continued economic regulation is needed for motor carriers, most agree that some regulation must be maintained over the railroad industry, particularly in the areas of mergers, abandonments, and rates for captive shippers. In recognition of this need, the President's budget also proposes the transfer of these regulatory functions to the Department of Transportation, except for antitrust-related functions, which would be transferred to the Department of Justice.

The Administration's proposal appears to be motivated less by deficit considerations or efficiency concerns than by the desire to begin an assault on the independent regulatory agencies. The savings that would accrue in the area of rail regulation if the ICC were abolished are extremely limited, and the Cabinet departments to which those rail functions would be transferred would receive fewer resources to perform the limited regulatory functions mandated by Congress.

The ICC's implementation of the Staggers Act leaves much to be desired, and the agency has been harshly criticized on that account. The solution to Staggers enforcement problems, however, is not the politicization of the decision-making process, but vigorous action by Commissioners who are committed to the impartial enforcement of the law.

The Administration is again proposing to cut the benefits of the Nation's one million railroad retirees.

The Administration is again proposing to eliminate the railroad retirement system -- an action that would jeopardize the earned benefits of almost one million railroad retirees and the future benefits of about 400,000 current workers.

Recognizing that this radical proposal is unlikely to receive support, the Administration is also proposing some "immediate" changes to the system. The President's budget proposes changes in cost of living adjustment (COLA) and tax rules that would take earned money out of the pockets of railroad retirees. The budget would also cut by 8.5 percent the vested dual benefits earned by more than 300,000 retirees. In addition, the budget seeks to eliminate the Tier II COLA scheduled for January 1987, just in case the Gramm-Rudman sequestration procedure fails to survive the current court challenge. The cost of these proposals to railroad retirees in FY 1987 alone would be about $98 million.

In 1983, the railroad retirement system faced a major financial crisis. Rail labor and management reached an agreement on changes in the system to avert that crisis, and Congress enacted the Railroad Retirement Solvency Act of 1983 based on that agreement. The agreement and the legislation called for sacrifices and contributions by employees, retirees, railroads, and the Government to restore the system to solvency. Those sacrifices have worked. Although long-term concerns remain real, the railroad retirement fund is now healthy.

Any proposal for changes in the system should, in fairness, take into account the sacrifices that have already been made. The President's budget fails to do that.

The Administration is again proposing to eliminate the separate railroad unemployment insurance system and cover railroad employees under state unemployment insurance programs.

The Administration is again proposing to eliminate the separate railroad unemployment insurance (RUI) system and cover railroad employees under state unemployment insurance programs. This proposal would adversely affect railroad employees, railroads, and many states.

Many railroad employees might lose benefits if they were covered under the state systems, which are not designed for conditions in the railroad industry. Similarly, the state employment services are not familiar with the problems of railroad workers.

The railroad industry claims that the Administration's proposal could cost it an additional $1.5 billion (over alternative solutions) over the next 15 years. Finally, the proposal would add more unemployed workers to the rolls of the state systems at a time when many states are still burdened by large debts incurred during the recent recession.

Proponents of the Administration's proposal argue that the basic benefit rate available under the RUI system is lower than under many state systems and that the RUI account is insolvent -- and has been for 20 of the last 25 years. Nevertheless, the solution is to address the underlying problems, not mount an assault on the system itself.

ENERGY PROGRAMS

The President's proposal for an indefinite moratorium on Strategic Petroleum Reserve activities is ill-timed and potentially damaging to the nation's energy security.

The Administration has proposed an indefinite moratorium on filling the Strategic Petroleum Reserve (SPR) and on further development of storage facilities. Fill will continue in FY 1986 and into FY 1987 only until approximately 500 million barrels of oil are in storage. Development of additional sites was suspended on December 31, 1985, which reduces outlays in the short run but also precludes maximizing the drawdown capacity of the Reserve.

If the nation is ever to fill the SPR, now is the time; oil prices are dropping, and the best time to purchase oil is when the price is low. Low prices in the near term may also reduce domestic supply and increase demand, contributing to the likelihood of a recurrence of an oil price shock and increasing the need for a larger Reserve.

To the extent that the U.S. decides to assist Mexico because of her debt crisis, it may make sense to continue purchasing Mexican oil for the SPR, thereby obtaining real value for any assistance provided.

The Department of Energy's proposed FY 1987 budget reflects an alarming shift from civilian energy programs to nuclear weapons programs.

The Administration's proposed FY 1987 budget for DOE shifts approximately $1 billion of the Department's budget from civilian energy programs to nuclear weapons programs. The latter would account for 65 percent of DOE's budget, compared to 38 percent when President Reagan took office in 1981. The DOE weapons budget has increased from $3.6 billion in FY 1981 to $8.3 billion in the President's FY 1987 request. This increase has more than wiped out any deficit-reducing effect of the drastic cuts that have been made in DOE's civilian energy programs.

In fact, the President's budget masks even further attempts to divert funding of civilian energy programs to military applications. For example, the DOE budget request for civilian energy research and development includes a call for redirecting research into advanced nuclear reactors from civilian applications to Strategic Defense Initiative applications. Thus, the extent of the dramatic shift from civilian to military applications is, if anything, understated in the President's budget.

The President's budget would concentrate nearly all of its reductions in non-nuclear programs.

In contrast to the balanced energy budget that Congress has advocated for the past decade, the President has targeted his cuts on conservation, solar and renewables, and fossil energy. Specifically, the budget would:

--Eliminate the low-income weatherization program, the schools and hospitals conservation program, the energy extension service, and the state energy conservation program -- a total of $247 million in terminations.

--Reduce conservation research by 60 percent.

--Reduce solar and other renewables research by 47 percent.

--Reduce fossil energy research by 73 percent.

Meanwhile, nuclear fusion programs would decline by only 9 percent. The appropriation for nuclear fission programs would similarly be cut by only 15 percent.

While the proper total level of funding for these programs can only be judged in the context of the constraints of the entire budget, the President's proposals clearly reflect a significant departure from the priorities that Congress has established for DOE during the last several years.

The President's proposed 73 percent cut in fossil energy research and development is ill-advised and unjustified.

The Administration's request of $82.8 million for Fossil Energy Research and Development reflects a 73.5 percent cut from the $312 million appropriated in FY 1986.

A part of this cut is the elimination of $98.3 million in funding for programs that the Department of Energy (DOE) believes will qualify for funding under the Clean Coal Technology Reserve, effectively negating the Congressional decision last year to provide $100 million in additional money in the first year of the new clean coal demonstration program. (Since the funding for the Clean Coal Technology Program comes from prior year funds, no new budget authority is required for that program.)

The Committee believes that, although some Fossil R&D programs may be ready for the Clean Coal Technology program, not all of the eligible DOE efforts are necessarily at that stage. The Administration's wholesale cutting of these programs may therefore shortchange technologies still in the formative stages.

The Administration's request again assumes elimination of the Magnetohydrodynamics program and the Underground Coal Gasification Program, both of which the Congress has repeatedly restored. The Administration's budget also would phase out the Surface Coal Gasification program.

The President's privatization proposals in the energy area are short-sighted at best and, at worst, nothing more than budget gimmickry.

The Administration has proposed selling the Naval Petroleum Reserves of Elk Hills and Teapot Dome in FY 1987. It has also called for the privatization of the power administrations. These proposals are probably unwise and, in the case of the Reserves, certainly premature.

Although the decision to produce from the Reserves at the maximum efficient rate in 1976 may have reduced their value to the nation as a stockpile, there is serious doubt that private industry would operate them more efficiently, much less place the national interest first.

It is also doubtful that selling the Reserves at this time makes sense financially. Not only are oil prices falling, resulting in low prices for oil reserves, but the Administration has presented no analyses to support its assumed sale price or to compare it with the estimated future revenues the government would receive from continued ownership of the Reserves and sale of the oil. In the current fiscal year, the Reserves will produce about 100,000 barrels of oil per day and generate more than $1 billion in annual sales.

A claim of $1.2 billion in receipts in FY 1987 and $2.4 billion in FY 1988 is claimed in the Administration's budget as a result of the sale of the Reserves themselves. Another $1.1 billion in receipts for FY 1987 is claimed as a result of a full 12 months of oil sales during the year. A clear case of "having your cake and eating it too," these numbers appear to have been selected to minimize the deficit in the proposed budget.

Similarly, sale of the power administrations will do little to contribute to long-term deficit reductions. A "fire sale" of these valuable assets is hardly acceptable. Moreover, while this privatization effort would enable the Administration to claim a one-time deficit reduction and meet the FY 1987 target, such a sale will do nothing to reduce the annual deficit in future years. This is because the annual cost of operating the power marketing administrations is currently paid for by those entities which use their services, and the capital costs of the facilities are being repaid to the Treasury consistent with the terms of the debt.

The President's proposed write-off in the uranium enrichment program may understate the Government's potential for recovery of its investment.

The President's FY 1987 budget request reflects an intention to "write off" $4 billion in debt owed by the uranium enrichment program to the Federal Government. This write-off would substantially reduce the amount that the program will repay to the Treasury, thereby reducing a potential source of funds for deficit reduction.

TELECOMMUNICATIONS PROGRAMS

The Administration's proposals for public broadcasting will severely degrade existing service and threaten new production.

The Administration's proposed budget for the Corporation for Public Broadcasting (CPB) calls for a rescission of $44 million in fiscal year 1988, for a total funding level of $170 million, and budgets CPB at $130 million in fiscal year 1989. The CPB is a private, non-profit corporation that provides funds to public radio and television programs for national distribution. The CPB budget was sharply curtailed in 1981 in view of overall Federal budget constraints. However, the Congressionally authorized Temporary Commission on Alternative Financing determined that alternatives to Federal funding were not in abundance. As a result, Congress passed a supplemental authorization bill in 1983 to stem the decline in public broadcasting service. Cuts and rescissions in public broadcasting will lead to further curtailment of existing service and threaten production of new, American-produced radio and television series.

The Administration's budget proposes to eliminate the Public Telecommunications Facilities Program (PTFP). The PTFP, administered by the National Telecommunications and Information Administration of the Department of Commerce, provides grants for new and replacement broadcast equipment and other telecommunications "hardware." A low level of funding for the PTFP program threatens to undermine the goal of assuring the availability of quality public broadcasting facilities, which are vitally needed to assure that the public receives adequate access to public broadcast programming. Currently, approximately 30 percent of the country does not receive public radio signals, and approximately 10 percent does not receive a local public television signal. Moreover, elimination of PTFP will ultimately degrade existing service when funds are not available for replacement of aging transmission equipment.

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U.S. House of Representatives
Committee on Energy and Commerce
Room 2125, Rayburn House Office Building
Washington, DC 20515

February 27, 1986

Honorable William H. Gray III
Chairman
Committee on the Budget
214 House Office Building Annex #1
Washington, D.C. 20515

Dear Chairman Gray:

Pursuant to Section 301(d) of the Congressional Budget Act, the Committee on Energy and Commerce is supposed to prepare and submit to the Committee on the Budget its recommendations for Fiscal Year 1987 funding levels for those programs under the Committee's jurisdiction. As in each of the last five years, Chairman Dingell has not complied with the requirements of the Congressional budget process, but instead has prepared a partisan, bombastic analysis of the Administration's budget which in no way reflects the views of the entire Committee.

Chairman Dingell's document purports to be a report of the Committee on Energy and Commerce. We wish to point out to you, however, that the Committee never met to discuss the contents of the Chairman's document. No votes were taken on any of the items in the report, nor did any Minority Member have an opportunity to offer any amendments to this document.

Furthermore, other than to endorse the bipartisan budget reconciliation package adopted by the Committee last year, the document prepared by the Chairman does not provide a single budgetary proposal for Fiscal Year 1987. This is not what the Budget Act intended. Considering the breadth of the programs under the jurisdiction of this Committee and their significance to the American people, this document is neither responsive nor responsible.

In addition, we fault the Chairman's document because it does not recognize the need to work together in a responsible manner and thereby avoid the across the board cuts that will otherwise be required under Gramm-Rudman-Hollings. If every Committee takes the approach taken by the Chairman, the Congress will clearly fail to address the deficit problem facing this nation in a responsible fashion. We cannot accept this. Savings can and should be achieved, for example, in the areas of Medicare and other health programs, the Strategic Petroleum Reserve, the Nuclear Regulatory Commission and the railroad industry. Further consideration should also be given to the President's Private Sector Survey on Cost Control (the Grace Commission) which has developed over 2,000 recommendations with estimated savings of $245 billion.

The time for the type of partisan, nonresponse to this nation's budget deficit contained in the Chairman's document has long since passed. If you are interested in developing a responsible, bipartisan budget for Fiscal Year 1987, let us know. We would be pleased to work with you.

Sincerely,

Jim Broyhill
James T. Broyhill
Ranking Minority Member
Committee on Energy and Commerce

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Congress of the United States
Committee on Foreign Affairs
House of Representatives
Washington, DC 20515

February 25, 1986

Honorable William H. Gray, III
Chairman
Committee on the Budget
Room 214 House Annex 1
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to P.L. 93-344, as amended, the Committee on Foreign Affairs makes the following recommendations for programs under its sole jurisdiction in subfunctions 151, 152, 153 and 154 for fiscal year 1987:

For budget authority:	$15.0 billion
For outlays:	$14.1 billion

These recommendations are exclusive of budget authority and outlay recommendations for the "Inman supplemental" request for embassy security abroad. For this urgent initiative, the Committee is recommending $1.4 billion in budget authority and $500 million in outlays in addition to the amounts outlined above. The addition of this initiative still results in a savings of $500 million in outlays for FY 1987 under the FY 1986 post-sequestration baseline.

I am enclosing a table summarizing the Executive request for FY 1987, enacted authorizations for FY 1987, the post-sequestration FY 1986 appropriations baseline, and the Committee's recommendations for FY 1987.

You will note that the Committee does not make recommendations for those programs and activities in the international affairs function which are not under the sole jurisdiction of the Committee on Foreign Affairs, i.e. international financial institutions, Food for Peace, and international financial programs. The funding assumptions in the Budget Resolution for these programs and activities should be considered in addition to the above Committee recommendations.

The Committee on Foreign Affairs would like to stress the importance of considering this estimate as an absolute floor for budget authority and outlays for the 150 programs under the Committee's sole jurisdiction. Any significant reductions from the Committee recommendation would be detrimental to U.S. national security interests and to our Government's ability to carry out our basic foreign policy requirements.

For example, deeper cuts in the 150 function, could result in the inability of the U.S. to meet its treaty commitments and other international agreements with countries where the U.S. enjoys base-rights privileges; could result in delays in beginning much needed embassy security improvements under the Inman recommendation; could result in the elimination of security and economic assistance to countries important to U.S. foreign policy interests; could endanger recent initiatives on maternal and child health in the developing world; and could force the firing of a significant number of foreign service personnel and the closing of important diplomatic missions abroad.

The Committee on Foreign Affairs urges your favorable consideration of its proposal.

With best wishes, I am

Sincerely yours,

Dante B. Fascell

Dante B. Fascell
Chairman

DBF:BB:FMC:baf

BUDGET AUTHORITY

24 February	FY 1987 Executive Request	FY 1986 & 1987 Authorizations	FY 1987 Suppl. Authorization request	CURRENT BASELINE FY 1986 Appropriations after 4.3% cut	PROPOSED COMMITTEE RECOMMEND. FOR FY 1987 (Adjustments to current baseline)	amount over or (under) current baseline	FY 1986 TOTAL OUTLAYS (after -4.3%)	FY 1987 OUTLAYS FOR PROPOSED COMM. RECOMMEND.	FY 1987 OUTLAYS FOR EXECUTIVE REQUEST
PROGRAMS WITHIN THE SOLE JURISDICTION OF HFAC									
Foreign economic & financial aid. Total(151)	2,843,120.0	3,116,850.0	(273,738.0)	2,763,243.0			2,945,698.0		2,246,000.0
Security aid. Total (152)	10,868,920.0	10,079,161.0	789,759.0	9,353,631.0			8,888,977.0		10,939,000.0
Conduct of foreign affairs (153)	2,508,370.0	2,566,885.0	(58,515.0)	2,421,785.0			2,362,535.0		2,555,000.0
Foreign information & exchange (154)	1,128,059.0	1,013,675.0	114,384.0	937,838.0			909,105.0		1,043,000.0
SUBTOTAL OF ABOVE	17,348,469.0	16,776,571.0	935,271.0	15,476,497.0	15,000,000.0	(476,497.0)	15,106,315.0	14,106,315.0	16,783,000.0
Cut from Auth.				7.75%	10.39%				
Cut from Exec. Request					13.54%			15.95%	
IMRAN SUPPLEMENTAL	1,417,965.0	0.0	1,417,965.0	0.0	1,400,000.0	1,400,000.0	0.0	500,000.0	500,000.0
GRAND TOTAL, including Imran	18,766,434.0	16,776,571.0	2,353,236.0	15,476,497.0	16,400,000.0	923,503.0	15,106,315.0	14,606,315.0	17,283,000.0

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February 25, 1986

The Honorable William H. Gray, III
Chairman
Committee on the Budget
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

In accordance with the requirements of Section 301(d) of the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344), as amended by the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177), and in accordance with the rules of the Committee on Government Operations, I am submitting this letter as the Committee's views and estimates on items in the President's budget for fiscal year 1987.

The principal program within the Committee's legislative jurisdiction with a significant budgetary impact is the General Revenue Sharing Program. This program, first enacted in 1972, originally provided financial aid to State and local governments without major restrictions or matching requirements. The entitlement of the States was eliminated from the program in 1981. The current authorization for payments to units of local government, at $4.567 billion annually, expires at the end of FY 1986. The President's budget does not propose reauthorization of the program, and in addition, proposes to rescind the final quarterly payment resulting from 1986 budget authority, which would be paid in 1987. In addition, the conference report on H.R. 3128, providing for budget reconciliation for fiscal year 1985, now pending before the House, contains a provision under which the program would be repealed unless it was reauthorized by the adjournment sine die of the 99th Congress or December 31, 1986, whichever occurs later.

On February 25, 1986, the Intergovernmental Relations and Human Resources Subcommittee met to consider H.R. 1400, legislation to reauthorize the General Revenue Sharing Program. As ordered reported to the Full Committee, H.R. 1400 would reauthorize the program for a period of three years and would make future allocations subject to the amount appropriated rather than basing such allocations on the amount authorized (having the effect of removing Revenue Sharing's status as an entitlement).

I hope that this information will assist the Budget Committee and the Congress in formulating a realistic and prudent budget for fiscal year 1987.

With every good wish, I am

Sincerely,

Jack Brooks

JACK BROOKS
Chairman

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Washington, DC 20515

February 25, 1986

Honorable William H. Gray, III
Chairman
Committee on the Budget
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This letter transmits the views and estimates of the Committee on House Administration, as required by Section 301(c) of the Congressional Budget Act of 1974, on budget matters for Fiscal Year 1987 as they relate to the Committee's jurisdiction.

In preparing this report, the Committee has reviewed the major programs, i.e., programs with budget accounts which exceed $1M annually, (1) which have been authorized by the Committee, subject to permanent appropriations, whose spending is controlled by the Appropriations Committee; (2) which are subject to periodic authorization; and (3) which are under the direct spending control of the Committee.

With regard to programs which are subject to periodic authorization by or direct spending control of the Committee, the Committee estimates that the total budget authority for these programs will not exceed $59M for FY87, and that the total outlays will not exceed $40M for FY87. The Committee does not anticipate that these estimated recommendations will result in any major progammatic, policy, or budget impact.

Please be advised that, at this time, there are no revenue or credit programs within the sole jurisdiction of the Committee.

If you need additional information relating to the subject matter of this report, please contact the Committee on Extension 5-2061.

With every best wish, I am

Sincerely,

Frank Annunzio

Frank Annunzio
Chairman

FA/emb

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99th Congress
2d Session

COMMITTEE PRINT NO. 5

REPORT

TO THE

COMMITTEE ON THE BUDGET

VIEWS AND ESTIMATES

OF THE

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS
HOUSE OF REPRESENTATIVES

SUBMITTED PURSUANT TO SECTION 301 OF THE CONGRESSIONAL BUDGET ACT OF 1974

ON THE

BUDGET PROPOSED FOR FISCAL YEAR 1987

FEBRUARY 25, 1986

Printed for the use of the Committee on Interior and Insular Affairs

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WASHINGTON : 1986

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LETTER OF TRANSMITTAL

Committee on Interior and Insular Affairs,
U.S. House of Representatives,
Washington, DC, February 25, 1986.

Hon. William H. Gray III,
Chairman, Committee on the Budget,
House of Representatives, Washington, DC.

Dear Mr. Chairman: Pursuant to the requirements of section 301(c) of the Congressional Budget Act of 1974, and for the purpose of preparing the Congressional Budget for fiscal year 1987, I am submitting a report containing our estimate of budget authority and outlays for each functional category within the jurisdiction of this Committee.

The report, approved by the Committee on February 25 represents a consolidated statement of the views and estimates of the relevant standing subcommittees as well as those of the Full Committee.

To assist the allocation of direct spending authority among the respective authorizing committees, this report also provides information on permanent budget authority and outlays of $1.9 billion and $1.5 billion respectively within the jurisdiction of this Committee.

In addition, this report contains an appendix which provides a listing of all the laws enacted by this Committee together with budget authority and outlays associated with these laws. The Committee notes that the amounts associated with the laws within its jurisdiction are estimated to be approximately $11 billion in budget authority for fiscal year 1987.

Finally, revenues received by agencies under this Committee's jurisdiction directly offset the Federal deficit by over $5 billion from Outer Continental Shelf leasing receipts and interest, and contribute toward maintaining a lower Federal deficit through the depositing of revenues in the Treasury and by reducing program authority and outlays by $8 billion derived from miscellaneous receipts, sales, fees, and interest.

Sincerely,

Morris K. Udall, *Chairman.*

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REPORT TO THE COMMITTEE ON THE BUDGET

HIGHLIGHTS OF THE BUDGET RECOMMENDATIONS OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

The Committee is recommending a total budget of $10.8 billion for the programs within its jurisdiction for fiscal year 1987.

This recommendation is 7.8% below the level of enacted appropriations and proposed supplementals for fiscal year 1986, and 4.7% below the fiscal year 1986 adjusted appropriations level.

Within this overall restrained fiscal year 1987 recommendation, the Committee has proposed some increases and decreases from the Administration's specific requests for certain programs.

In function 270 (Energy) while the Committee generally concurs in the President's requests for the Nuclear Regulatory Commission, the Department of Energy, and the Power Marketing Administrations, it strongly disagrees with the administration attempting to change the law with respect to the Power Marketing Administration repayment system without seeking authorization from this Committee. It cannot agree with the administration's outlay estimate for fiscal year 1987, in particular with respect to the Bonneville Power Administration (BPA). The administration estimates that its proposed repayment system will generate a negative $134 million in outlays. This Committee strongly recommends that the Committee on the Budget adhere to current law on this matter and reestimate the outlays associated with the Bonneville Power Administration and the other power marketing administrations accordingly. Moreover, it believes that the administration has not requested adequate and sufficient funding for the energy conservation program and transmission facilities of the BPA, and it recommends a $29 million increase for these activities.

Also in function 270 the Committee recommends a $46 million decrease in the Department of Energy request for the monitored retrievable storage proposal. DOE has been enjoined by the U.S. District Court from submitting the proposal to Congress. Moreover, Congress has not yet authorized such a facility, and any such development will require Congressional approval.

Finally, in function 270 although the Committee concurs in the recommended Nuclear Regulatory Commission user fee to be imposed on all operating nuclear power plants, it recommends that the revenues from the user fee be used to directly offset the appropriations provided to the NRC and not be diverted to the general treasury. Revenues from this fee will reduce the costs of operating the NRC by $200 million annually beginning in fiscal year 1987.

In function 300 (Natural Resources and Environment) the Committee recommends a $256 million increase from the administration's request.

The recommended increase will provide for the continuation of the Rural Abandoned Mine program at the fiscal year 1986 level. It will also provide for increases in the Bureau of Land Management, Bureau of Mines, and the National Park Service.

Also in function 300 the committee recommends continued funding for the Historic Preservation Fund and the American Conservation Corps.

Finally, in function 300 the Committee recommends a level of funding for the Land and Water Conservation Fund that will maintain the land acquisition activities of various agencies of the government.

The Committee is concerned with the administration's attempt to fund appropriated programs from increased recreation fees. The Committee has stated its concern with respect to this matter when it has been proposed in past budgets, and reiterates that concern at this time.

In function 450 (Area and Regional Development) the Committee recommends increases of $32.5 million for the Bureau of Indian Affairs.

In function 550 (Health) the Committee recommends the restoration of proposed reductions in the Indian Health Service for an increase of $126 million.

In function 800 (General Government) the Committee recommends increases for the Trust Territory of the Pacific Islands and increases to implement the recently authorized Compact of Free Association. It also recommends increases for the insular areas within the jurisdiction of the Committee. For these areas it is recommending increases of $76 million.

Finally in function 850 (General Purpose Fiscal Assistance) the Committee is recommending $21.4 million be added to the administration's proposal for Payments to the Territories and Puerto Rico.

The Committee does not intend to enable the administration's request to recover the costs of administering the payments to the States shared receipts program and the Oregon and California grant lands program. Accordingly, it has reestimated the amounts to be paid to the States to reflect current law with respect to the mandatory receipt payments.

RECOMMENDATIONS OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS COMPARED WITH FISCAL YEARS 1985 AND 1986 AND THE PRESIDENT'S REQUEST FOR FISCAL YEAR 1987

[In fiscal years, thousands of dollars]

	Actual appropriations, 1985	Enacted appropriations, 1986	Adjusted appropriations, 1986 (less 4.3 percent)	President's request, 1987	Committee recommendation, 1987	Committee recommendation compared with—			
						1985	1986	1986 adjusted	President's request, 1987
Full committee:									
Bureau of Indian Affairs	770,315	772,943	741,190	681,045	713,545	−56,770	−59,398	−27,645	+32,500
Indian Health Service	862,910	867,859	856,963	725,378	851,378	−11,532	−16,481	−5,585	+126,000
Navajo-Hopi Indian Relocation	20,321	22,356	21,395	22,335	22,335	+2,014	−21	+940	
Insular Affairs	77,444	79,894	76,459	71,529	76,789	−655	−3,105	+330	+5,260
Offices of Solicitor, Secretary, and Inspector General	84,812	81,379	77,884	80,667	80,667	−4,145	−712	+2,783	
Total, full committee	1,815,802	1,824,431	1,773,891	1,580,954	1,744,714	−71,088	−79,717	−29,177	+163,760
Energy and the environment:									
Nuclear Regulatory Commission	448,200	418,000	400,026	405,000	405,000	−43,200	−13,000	+4,974	
Nuclear Waste Disposal Fund	327,669	521,460	499,037	769,349	723,349	+395,680	+201,889	+224,312	−46,000
Department of Energy	372,447	457,637	437,959	472,182	472,182	+99,735	+14,545	+34,223	
Uranium Enrichment	1,648,892	1,612,700	1,551,309	1,051,400	1,051,400	−597,492	−561,300	−499,909	
Office of Surface Mining	377,288	291,283	278,779	291,400	299,600	−77,688	+8,317	+20,821	+8,200
Payment in Lieu of Taxes	102,900	104,370	99,882	105,000	105,000	+2,100	+630	+5,118	
Outer Continental Shelf	100,241	99,566	95,285	93,529	93,529	−6,712	−6,037	−1,756	
Total, energy and the environment	3,377,637	3,505,016	3,362,277	3,187,860	3,150,060	−227,577	−354,956	−212,217	−37,800
Public lands:									
Bureau of Land Management	547,392	469,144	449,220	446,696	455,978	−91,414	−13,166	+6,758	+9,282
American Conservation Corps	10,000	10,000	9,570		9,570	−430	−430		+9,570
Historic Preservation Fund	25,480	24,795	23,729		24,795	−685		+1,066	+24,795
Advisory Council on Historic Preservation	1,546	1,575	1,507	1,417	1,507	−39	−68		+90
Cultural and Preservation Programs	11,111	11,029	10,555	9,547	9,547	−1,564	−1,482	−1,008	
Trust Territory of the Pacific Islands	98,795	79,890	76,455	13,050	20,770	−78,025	−59,120	−55,685	+7,720
Compact of Free Association		270,943	270,943	144,270	207,662	+207,662	−63,281	−63,281	+63,392
Total, public lands	694,324	867,376	841,979	614,980	729,829	+35,505	−137,547	−112,150	+114,849

RECOMMENDATIONS OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS COMPARED WITH FISCAL YEARS 1985 AND 1986 AND THE PRESIDENT'S REQUEST FOR FISCAL YEAR 1987—Continued

[In fiscal years, thousands of dollars]

	Actual appropriations, 1985	Enacted appropriations, 1986	Adjusted appropriations, 1986 (less 4.3 percent)	President's request, 1987	Committee recommendation, 1987	Committee recommendation compared with— 1985	1986	1986 adjusted	President's request, 1987
General oversight, northwest power, and forest management:									
Forest Service	1,226,040	1,339,924	1,289,595	1,009,769	1,009,743	−216,297	−330,181	−279,852	−26
Bonneville Power Administration	284,771	330,000	330,000	276,100	304,900	+20,129	−25,100	−25,100	+28,800
Total, general oversight, NWP, and forest management	1,510,811	1,669,924	1,619,595	1,285,869	1,314,643	−196,168	−355,281	−304,952	+28,774
Water and power resources:									
Bureau of Reclamation	1,067,009	777,735	744,463	853,120	853,120	−213,889	+75,385	+108,657	
Geological Survey Water Program	115,285	126,017	120,580	114,196	114,196	−1,089	−11,821	−6,384	
Power Marketing Administrations	288,415	229,391	228,346	288,174	288,174	−241	+58,783	+59,828	
Total, water and power resources	1,470,709	1,133,143	1,093,389	1,255,490	1,255,490	−215,219	+122,347	+162,101	
Mining and natural resources:									
Geological Survey	301,083	303,352	290,326	281,304	281,304	−19,779	−22,048	−9,022	
Bureau of Mines	128,117	125,499	120,099	107,100	121,193	−6,924	−4,306	+1,094	+14,093
Mineral Institutes	7,842	7,950	7,612		7,612	−230	−338		+7,612
Minerals Management Service	60,555	67,444	64,544	66,771	66,571	+6,016	−873	+2,027	−200
Total, mining and natural resources	497,597	504,245	482,581	455,175	476,680	−20,917	−27,565	−5,901	+21,505
National parks and recreation:									
National Park Service	748,695	757,509	728,943	[1] 694,583	736,028	−12,667	−21,481	+7,085	+41,445
Land Acquisition (LWCF):									
NPS	199,164	97,810	93,604	15,270	115,000				
FWS	70,218	40,426	38,688	1,500	20,000				
BLM	4,695	2,286	2,188		2,000				
FS	50,535	28,130	26,920	3,206	25,000				
Subtotal, land acquisition	324,612	168,652	161,400	19,976					
LWCF contract authority		30,000	28,710						

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Total LWCF	324,612	198,652	190,110	19,976	162,000	−162,612	−36,652	−28,110	+142,024
Special Land Acquisition—Forest Service	748	797	764	1,861	1,861	+1,113	+1,064	+1,097	
Pennsylvania Avenue Development Corporation	6,682	5,545	5,306	6,211	6,211	−471	+666	+905	
U.S. Holocaust Memorial Council	2,003	2,112	2,021	2,057	2,057	+54	−55	+36	
Total, national parks and recreation	1,082,740	964,615	927,144	724,688	908,157	−174,583	−56,458	−18,987	+183,469
Mandatory payments from receipt accounts	1,324,800	1,256,509	1,246,682	[2] 1,411,333	1,432,745	+107,945	+176,236	+186,063	+21,412
Offsetting receipts					−200,000	−200,000	−200,000	−200,000	−200,000
Committee total	11,774,420	11,725,259	11,347,538	10,516,349	10,812,318	−962,102	−912,941	−535,220	+295,969

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[1] While the committee agrees with the amount requested for the NPS, it does not recommend proposed increases in recreation fees.

[2] Administrations's estimates reflect proposed "cost-recovery" of administering O&C grant lands payments and payments to states from mineral leasing receipts. Committee does not recommend deducting such costs from mandatory receipt payments and has re-estimated President's request accordingly.

6

DIRECT SPENDING AUTHORITY WITHIN JURISDICTION OF COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

The Congressional Budget Act of 1974, as amended, provides that on or before April 15 of each year, the Congress shall complete action on the concurrent resolution on the budget for the fiscal year beginning on October 1 of that year. The act requires that the report accompanying such concurrent resolution shall include, with respect to each major functional category, an estimate of budget outlays and an appropriate level of new budget authority for all proposed programs and for all existing programs (including renewals thereof) with the estimate and level for existing programs being divided between permanent spending authority and funds provided in appropriations acts. In order to facilitate the Committee on the Budget's task of dividing permanent spending authority from funds provided in appropriation acts, table 1 displays by function all permanent spending authority for fiscal years 1985 through 1987 within the jurisdiction of the Committee on Interior and Insular Affairs.

The total amount of permanent budget authority and outlays allocated to this committee for fiscal year 1987 is $1.9 billion and $1.5 billion respectively.

TABLE 1.—PERMANENT SPENDING AUTHORITY BY FUNCTION WITHIN JURISDICTION OF COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
270—Energy:						
271—Energy supply:						
Department of Energy advances for cooperative work	1,216	1,100	1,160	1,216	1,100	1,160
Bonneville Power Administration fund	284,771	330,000	304,900	−260,884	−33,795	−43,397
Southeastern Power Administration continuing fund						
Southwestern Power Administration continuing fund						
Total, function 270	285,987	331,100	306,060	−259,668	−32,695	−42,237
300—Natural resources and environment:						
301 Water resources:						
Bureau of Reclamation:						
Trust funds	7,681	16,741	28,062	2,332	16,741	28,062
Colorado River Dam fund	23,602	19,953	52,913	11,500	20,474	50,600
302 Conservation and land management:						
Bureau of Land Management:						
Miscellaneous permanent appropriations	6,471	5,359	5,600	6,703	5,368	5,600
Miscellaneous trust funds	3,667	600	600	2,616	600	600
Special acquisition of lands and minerals	3,042	1,300	1,300	3,042	1,300	1,300
Operation and maintenance of quarters		250	250		100	240
Forest Service permanent appropriations	49,970	51,802	45,815	44,262	51,152	47,940
303 Recreational resources:						
Advisory Council on Historic Preservation donations	2	5	5	1	6	5
National Park Service:						
Land and Water Conservation Fund contract authority		28,710	30,000			

TABLE 1.—PERMANENT SPENDING AUTHORITY BY FUNCTION WITHIN JURISDICTION OF COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Miscellaneous permanent appropriations	1,028	1,271	1,271	1,116	1,342	1,243
Miscellaneous trust funds	11,920	13,205	8,833	7,580	17,533	8,833
Operation and maintenance of quarters	8,034	9,584	9,987	7,947	9,132	9,912
306 Other natural resources:						
Bureau of Mines:						
Contributed funds	495	500	500	615	533	507
Helium fund				−4,632	−1,210	−994
Geological Survey—Contributed funds	50	500	500	−1	551	500
Office of the Secretary—Operation and maintenance of quarters	14	86	67	6	80	66
Total, function 300	115,976	149,866	185,703	83,087	123,702	154,414
450—Community and regional development:						
451 Community development:						
Department of Housing and Urban Development—Community Disposal Operation Fund				−200	−149	−119
Pennsylvania Avenue Development Corporation gifts and donations		2,623		10	1,430	802
452 Area and regional development:						
Bureau of Indian Affairs:						
Miscellaneous permanent appropriations	45,962	46,893	52,000	37,109	38,830	48,263
Miscellaneous trust funds	423,971	428,457	466,453	347,386	432,757	482,000
Papago Cooperative Fund	5,700	1,060	1,150	37		
Liquidation of Hoonah housing project revolving fund				10	15	
Operation and maintenance of quarters	7,698	8,000	9,000	2,407	6,927	8,729
Total, function 450	483,331	487,033	528,603	386,759	479,810	539,675
550—Health:						
551 Health Care Services:						
Indian Health Service	709	3,000	3,000	709	3,000	3,000
Total, function 550	709	3,000	3,000	709	3,000	3,000
800—General government:						
804 General property and records management:						
General Services Administration—Virgin Islands Corporation Liquidation Fund				−135	−120	
806 Other general government:						
United States Holocaust Memorial Council gifts and donations				−2	2	
Bureau of Indian Affairs miscellaneous permanent appropriations	928	1,914	2,000	1,072	1,915	1,999
Office of Territorial Affairs—Compact of Free Association			116,350			116,350
Total, function 800	928	1,914	118,350	935	1,797	118,349
850—General purpose fiscal assistance:						
852 Other general purpose fiscal assistance:						
Bureau of Reclamation miscellaneous permanent appropriations	272	350	350	285	343	350
Bureau of Land Management miscellaneous permanent appropriations	134,480	6,154	70,573	133,237	17,259	69,630
Minerals Management Service-Payments to States from receipts under Mineral Leasing Act	537,523	574,391	604,148	537,523	550,496	604,148

TABLE 1.—PERMANENT SPENDING AUTHORITY BY FUNCTION WITHIN JURISDICTION OF COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Office of Territorial Affairs:						
Payments to the United States territories, fiscal assistance	53,351	57,420	55,000	53,351	57,420	55,000
Total, function 850	725,626	638,315	730,071	724,396	625,518	729,128

Table 2 lists by subcommittee the total permanent spending authority within the jurisdiction of the Committee on Interior and Insular Affairs for fiscal years 1985–87.

TABLE 2.—PERMANENT SPENDING AUTHORITY BY SUBCOMMITTEE WITHIN JURISDICTION OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

[In thousands of dollars]

	Budget authority			Outlays		
	1965 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Full Committee:						
Bureau of Indian Affairs:						
Miscellaneous permanent appropriations	46,890	48,807	54,000	38,181	40,745	50,262
Miscellaneous tribal trust funds	423,971	428,457	466,453	347,386	432,757	482,000
Papago Cooperative Fund	5,700	1,060	1,150	37		
Liquidation of Hoonah housing project revolving fund				10	15	
Operation and maintenance of quarters	7,698	8,000	9,000	2,407	6,927	8,729
Indian Health Service	709	3,000	3,000	709	3,000	3,000
Office of Territorial Affairs-Payments to the U.S. territories	53,351	57,420	55,000	53,351	57,420	55,000
Office of the Secretary—Operation and maintenance of quarters	14	86	67	6	80	66
General Services Administration—Virgin Islands Corporation Liquidation Fund				−135	−120	
Total, full committee	538,333	546,830	588,670	441,952	540,824	599,057
Subcommitte on Energy and the Environment:						
Department of Energy—Advances for cooperative work	1,216	1,100	1,160	1,216	1,100	1,160
Department of Housing and Urban Development Community Disposal Operations Fund				−200	−149	−119
Total, Energy and the Environment	1,216	1,100	1,160	1,016	951	1,041
Subcommittee on Public Lands:						
Bureau of Land Management:						
Miscellaneous permanent appropriations	140,951	11,513	76,173	139,940	22,627	75,230
Miscellaneous trust funds	3,667	600	600	2,616	600	600
Special acquisition of lands and minerals	3,042	1,300	1,300	3,042	1,300	1,300
Operation and maintenance of quarters		250	250		100	240
Advisory Council on historic Preservation donations	2	5	5	1	6	5
Office of Territorial Affairs-Compact of Free Association			116,350			116,350
Total, Public Lands	147,662	13,668	194,678	145,599	24,633	193,725
Subcommittee on General Oversight, Northwest Power, and Forest Management:						

TABLE 2.—PERMANENT SPENDING AUTHORITY BY SUBCOMMITTEE WITHIN JURISDICTION OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS—Continued

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Bonneville Power Administration fund	284,771	330,000	304,900	−260,884	−33,795	−43,397
Forest Service permanent appropriations	49,970	51,802	45,815	44,262	51,152	47,940
Total, General Oversight, Northwest Power, and Forest Management	334,741	381,802	350,715	−216,622	17,357	4,543
Subcommittee on Water and Power Resources:						
Bureau of Reclamation:						
Miscellaneous permanent appropriations	272	350	350	285	343	350
Trust funds	7,681	16,741	28,062	2,332	16,741	28,062
Colorado River Dam Fund	23,602	19,953	52,913	11,500	20,474	50,600
Department of Energy:						
Southeastern Power Administration						
Southwestern Power Administration						
Total Water and Power Resources	31,555	37,044	81,325	14,117	37,558	79,012
Subcommittee on Mining and Natural Resources:						
Minerals Management Service: Payments to States from receipts under Mineral Leasing Act	537,523	574,391	604,148	537,523	550,496	604,148
Geological Survey: Contributed funds	50	500	500	−1	551	500
Bureau of Mines:						
Contributed funds	495	500	500	615	533	507
Helium fund				−4,632	−1,210	−994
Total, Mining and Natural Resources	538,068	575,391	605,148	533,505	550,370	604,161
Subcommittee on National Parks and Recreation:						
National Park Service:						
Miscellaneous permanent appropriations	1,028	1,271	1,271	1,116	1,342	1,243
Miscellaneous trust funds	11,920	13,205	8,833	7,580	17,533	8,833
Operation and maintenance of quarters	8,034	9,584	9,987	7,947	9,132	9,912
Land and Water Conservation Fund contract authority		28,710	30,000			
Pennsylvania Avenue Development Corporation: Gifts and donations		2,623		10	1,430	802
United States Holocaust Memorial Council: Gifts and donations				−2	2	
Total, National Parks and Recreation	20,982	55,393	50,091	16,651	29,439	20,790

Completing the permanent spending authority section on the committee report are the narrative descriptions for each of the permanent accounts listed in table 2.

BUREAU OF INDIAN AFFAIRS—MISCELLANEOUS PERMANENT APPROPRIATIONS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	46,890	48,807	54,000	38,181	40,745	50,262
Budget authority and outlays are distributed as follows:						
Claims and treaty obligations	928	1,914	2,000	1,072	1,914	1,971
Operation and maintenance, Indian irrigation systems	17,178	18,178	20,000	15,130	14,490	18,225

BUREAU OF INDIAN AFFAIRS—MISCELLANEOUS PERMANENT APPROPRIATIONS—Continued

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Power systems, Indian irrigation projects	28,784	28,715	32,000	21,979	24,341	29,566

Claims and treaty obligations—Payments are made to fulfill treaty obligations with the Senecas of New York (act of February 19, 1831), the Six Nations of New York (act of November 11, 1794), and the Pawnees of Oklahoma (the treaty of September 24, 1857); and benefit claims to the Sioux Indians (acts of March 2, 1889, June 10, 1896, and June 21, 1906).

Operation and maintenance, Indian irrigation systems.—Revenues derived from charges for operation and maintenance of Indian irrigation projects are used to defray in part the cost of operating and maintaining these projects (60 Stat. 895).

Power systems, Indian irrigation projects.—Revenues collected from the sale of electric power by the Colorado River, Flathead, and San Carlos power systems are used to operate and maintain these systems (60 Stat. 895; 65 Stat. 254).

BUREAU OF INDIAN AFFAIRS—MISCELLANEOUS TRIBAL TRUST FUNDS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	423,971	428,457	466,453	347,386	432,757	482,000

BUREAU OF INDIAN AFFAIRS—COOPERATIVE FUND (PAPAGO)

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	5,700	1,060	1,150	37		

This Cooperative Fund, established by section 313 of the Southern Arizona Water Rights Settlement Act (96 Stat. 1274–1285), provides a source of funds for the Secretary of the Interior to carry out the obligations of the Secretary under sections 303, 304, and 305 of the act. Only interest accruing to the fund may be expended. However, the law provides that no such interest can be spent prior to the earlier of 1992 or the completion of the main project works of the Central Arizona Project.

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BUREAU OF INDIAN AFFAIRS—LIQUIDATION OF HOONAH HOUSING PROJECT REVOLVING FUND

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total				10	15	

This fund was transferred from the Housing and Home Finance Agency to the Secretary of the Interior under the provisions of Public Law 85-806. The Secretary will use the funds transferred from the Housing and Home Finance Agency, along with any other revenues that may be received from the Hoonah housing project, for the purpose of liquidating this project in accordance with the provisions of the law.

BUREAU OF INDIAN AFFAIRS—OPERATION AND MAINTENANCE OF QUARTERS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	7,698	8,000	9,000	2,407	6,927	8,729

Public Law 88-459 (Federal Employees Quarters and Facilities Act of 1964) is the basic authority under which the Secretary utilizes quarters rentals funds to defer the costs of operation and maintenance incidental to the employee quarters program. P.L. 98-473 established a special fund, to remain available until expended, for the operation and maintenance of quarters.

INDIAN HEALTH SERVICE

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	709	3,000	3,000	709	3,000	3,000

OFFICE OF TERRITORIAL AFFAIRS—PAYMENTS TO THE UNITED STATES TERRITORIES, FISCAL ASSISTANCE

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	53.351	57,420	55,000	53.351	57,420	55,000
Budget authority and outlays are distributed as follows:						
Advance payments to Guam of estimated U.S. income tax collections	23,921	28,710	25,000	23,921	28,710	25,000

OFFICE OF TERRITORIAL AFFAIRS—PAYMENTS TO THE UNITED STATES TERRITORIES, FISCAL ASSISTANCE—Continued

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Advance payments to the Virgin Islands of estimated excise tax collections	29,430	28,710	30,000	29,430	28,710	30,000

Public Law 95-348 requires that certain revenues collected by the Internal Revenue Service involving Guam and the Virgin Islands (income taxes withheld and excise taxes) be paid prior to the start of the fiscal year of collection. The 1987 funding is for the 1988 prepayment.

OFFICE OF THE SECRETARY—OPERATION AND MAINTENANCE OF QUARTERS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	14	86	67	6	80	66

These activities provide for the utilization of receipts from the rental of quarters for the operation and maintenance of those quarters as authorized by section 320 of Public Law 98-473.

GENERAL SERVICES ADMINISTRATION—VIRGIN ISLANDS CORPORATION LIQUIDATION FUND

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total				−135	−120	

Mortgage payments are made to the Government for properties purchased from the Virgin Islands Corporation.

DEPARTMENT OF ENERGY—ADVANCES FOR COOPERATIVE WORK

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	1,216	1,100	1,160	1,216	1,100	1,160

Richland operations office.—Advances from public utilities fund the cost of essential support services provided at a jointly operated reactor facility.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—COMMUNITY DISPOSAL OPERATIONS FUND

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total				−200	−149	−119

The community disposition program was established by the Atomic Energy Community Act of 1955 to dispose of federally owned properties.

Budget program.—All sales under the program have been completed. Servicing of the mortgage inventory currently held by the Department will continue.

Operating results.—The deficit in the fund is expected to be about $14 million at the end of 1987. Funds recovered and transferred to the Treasury are estimated to aggregate $87 million by the end of 1987.

BUREAU OF LAND MANAGEMENT—MISCELLANEOUS PERMANENT APPROPRIATIONS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	140,951	11,513	76,173	139,940	22,627	75,230
Budget authority and outlays are distributed as follows:						
Leasing of grazing lands (receipt limitations)				4		
Payments to Oklahoma (royalties)	13			14		
Payments to Coos and Douglas Counties, Oreg., from receipts Coos Bay Wagon Road grant lands	528	552	580	528	518	569
Payments to counties, Oregon and California grant lands	125,325	−2,940	65,100	116,934	9,087	64,362
Payments to States (proceeds of sales) (receipt limitations)	742	729	936	872	684	919
Payments to States from grazing receipts, etc., public lands outside grazing districts	1,001	952	1,024	1,024	893	1,005
Payments to States from grazing receipts, etc., public lands within grazing districts	1,549	1,442	1,550	1,544	1,354	1,521
Payments to States from grazing receipts, etc., public lands within districts, miscellaneous	6	5	8	5	5	8
Payments to Alaska, National Petroleum Reserve	4,803	4,392		10,911	4,123	
Payments to counties, national grasslands	569	590	625	569	554	613
Expenses, road maintenance deposits	5,581	5,359	5,600	6,702	5,003	5,497
Payments to Nevada from receipts on land sales	833	432	750	833	406	736
Payments from proceeds, sale of water	1					

1. *Leasing of grazing lands.*—State, county, and privately owned grazing lands that are intermingled with public grazing lands are managed on a leased basis within the limits of receipts from such arrangement (43 U.S.C. 315m).

2. *Payments to Oklahoma (royalties).*—The State of Oklahoma is paid 37½ percent of the Red River oil and gas royalties in lieu of State and local taxes on Kiowa, Comanche, and Apache tribal

lands to be used for construction and maintenance of public roads and support of public schools (65 Stat. 252).

3. *Payments to Coos and Douglas Counties, Oreg., from receipts from Coos Bay Wagon Road grant lands.*—Out of receipts from the Coos Bay Wagon Road grant lands in Oregon, payments in lieu of taxes are made to Coos and Douglas Counties for schools, roads, highways, bridges, and port districts (53 Stat. 753-754).

4. *Payments to counties, Oregon and California grant lands.*—Fifty percent of the receipts of Oregon and California land-grant funds are paid the counties in which the lands are situated, to be used as other county funds (39 Stat. 218; 50 Stat. 876).

5. *Payments to State (proceeds of sales).*—The States are paid 5 percent of the net proceeds from sale of public land and public land products (31 U.S.C. 1305).

6. *Payments to States from grazing receipts, etc., public lands outside grazing districts.*—The States are paid 50 percent of the grazing fee receipts from public domain lands outside grazing districts (43 U.S.C. 315i, 315m).

7. *Payments to States from grazing receipts, etc., public lands within grazing districts.*—The States are paid 12½ percent of grazing receipts from public lands inside grazing districts (43 U.S.C. 315b, 315i).

8. *Payments to States from grazing receipts, etc., public lands within grazing districts, miscellaneous.*—The States are paid specifically determined amounts from grazing receipts from miscellaneous lands within grazing districts when payment is not feasible on a percentage basis (43 U.S.C. 315).

9. *Payments to Alaska, National Petroleum Reserve.*—Alaska is paid 50% of the receipts from sales, bonuses, royalties, and rentals resulting from the leasing of oil and gas in the National Petroleum Reserve in Alaska for use in planning, construction, maintenance, and operation of essential public facilities and other necessary provisions of public service (94 Stat. 2964).

10. *Payments to counties, national grasslands.*—Of the revenues received from the use of national grasslands, 25 percent is paid to the counties in which such lands are situated, for school and road purposes (7 U.S.C. 1012).

11. *Expenses, road maintenance deposits.*—Public Law 94-579 approved October 21, 1976, permanently appropriated certain moneys to the Secretary of the Interior. Users of roads under jurisdiction of the Bureau of Land Management may make deposits for maintenance purposes, and moneys collected are available for necessary road maintenance. Moneys collected on Oregon and California grant lands are available for those lands only. (43 U.S.C. 1701 et seq.)

12. *Payments to Nevada from receipts on land sales.*—Public Law 96-586 authorizes and directs the Secretary to sell not more than 700 acres of public lands per calendar year in and around Las Vegas, Nevada; proceeds of which are to be used to acquire environmentally sensitive lands in the Lake Tahoe Basin of California and Nevada. Annual revenues are distributed to the State of Nevada (5%) and the county in which the land is located (10%).

13. *Payments from proceeds, sale of water.*—When lessees or operators drilling for oil and gas on public lands strike water, water

wells may be developed by the Department from proceeds from sale of water from existing wells (30 U.S.C. 221-229).

BUREAU OF LAND MANAGEMENT—MISCELLANEOUS TRUST FUNDS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	3,667	600	600	2,616	600	600
Budget authority and outlays are distributed as follows:						
Land and resource management trust fund	3,666	599	599	2,610	599	599
Trustee funds, Alaska Townsites	1	1	1	6	1	1

Land and resource management trust fund.—Applicants for conveyance of lands omitted in original surveys pay the cost of surveys and the administrative costs of conveyance. Advances are made by individuals to pay the costs of other types of surveys requested by them. Cooperators in the management of the public lands, including the Federal Range, contribute funds or make gifts for conservation practices, acquisition, protection, and other purposes (43 U.S.C. 315h, 315i, 355, 759, 761, 775, 887, 1719, 1721, and 1737; 74 Stat. 506; 31 U.S.C 1305; 48 Stat. 1224-1236).

Trustee funds, Alaska townsites.—Amounts received from sale of Alaska town lots are available for expenses incident to the maintenance and sale of townsites (31 U.S.C. 1321; Comp. Gen. Dec. of Nov. 18, 1935).

BUREAU OF LAND MANAGEMENT—SPECIAL ACQUISITION OF LANDS AND MINERALS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Rattlesnake NRA and Wilderness Area	3,042	1,300	1,300	3,042	1,300	1,300

Rattlesnake NRA and Wilderness Area.—Represents the monetary value of bidding rights issued under the authority of Public Law 96-476 and the estimated value of adjustment of those rights as required by section 7 of the Lee Metcalf Wilderness and Management Act of 1983. The bidding rights may be used as monetary credits against that portion of any coal lease bonus payments, rentals or royalties payable under the Mineral Leasing Act of 1920 as amended, and retained by the Federal Government, on any Federal coal lease won or otherwise held by the holder. The value of unused bidding rights increases at a rate set quarterly by the Secretary of the Treasury, pursuant to section 11 of the Debt Collection Act of 1982 (31 U.S.C. 3717).

BUREAU OF LAND MANAGEMENT—OPERATION AND MAINTENANCE OF QUARTERS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total		250	250		100	240

Provides for the maintenance of quarters used by Bureau employees in areas where other housing alternatives are unavailable. Expenses are offset by collections in the form of rental payments. This account was established in 1986 under provisions of the 1985 Interior Appropriations Act.

ADVISORY COUNCIL ON HISTORIC PRESERVATION—DONATIONS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	2	5	5	1	6	5

The Advisory Council on Historic Preservation accepts and uses donated moneys for purposes of the Council (16 U.S.C. 470).

OFFICE OF TERRITORIAL AFFAIRS—COMPACT OF FREE ASSOCIATION

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total			116,350			116,350

The peoples of the Marshall Islands and the Federated States of Micronesia have approved the Compact of Free Association negotiated by the United States and their governments. The Compact of Free Association Act of 1985 constituted the necessary authorizing legislation to make annual payments to the two states during the next fifteen years totaling $2.3 billion. This assistance will aid in their successful development as sovereign states. A 1986 supplemental proposal requests a permanent appropriation for grants to the two governments required by the Compact.

BONNEVILLE POWER ADMINISTRATION FUND

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	284,771	330,000	304,900	–260,884	–33,795	–43,397

FOREST SERVICE PERMANENT APPROPRIATIONS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Tongass timber supply fund	49,970	51,802	45,815	44,262	51,152	47,940

Tongass timber supply fund, Forest Service.—To maintain the timber supply from the Tongass National Forest at a specified level. (Public Law 96–487 (16 U.S.C. 539d).)

BUREAU OF RECLAMATION—MISCELLANEOUS PERMANENT APPROPRIATIONS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	272	350	350	285	343	350
Budget authority and outlays are distributed as follows:						
Operation, maintenance, and replacement of project works, North Platte project (Gering and Fort Laramie, Goshen and Pathfinder irrigation districts) (indefinite special fund)	10	30	30	25	29	30
Payments to Farmers' irrigation district (North Platte project, Nebraska-Wyoming) (indefinite special fund)	8	8	8	8	8	8
Payments to local units, Klamath reclamation area (indefinite special fund)	254	250	250	254	245	250
Refunds and returns (indefinite special fund)		62	62	−2	61	62

1. *Operation, maintenance, and replacement of project works, North Platte project.*—Payments are made for replacement of project works operated and maintained by the United States and to supplement funds advanced by the water users to meet annual costs of operation and maintenance of such works (66 Stat. 755).

2. *Payments to the Farmers' irrigation district (North Platte project, Nebraska-Wyoming).*—Payments are made to the farmers' irrigation district on behalf of the Northport irrigation district for water carriage (62 Stat. 273, as amended).

3. *Payments to local units, Klamath reclamation area.*—Certain revenues collected from the leasing of Klamath project reserved Federal lands within the boundaries of certain national wildlife refugees shall be used: (a) To credit or pay to the Tule Lake irrigation district amounts already committed; and (b) to make annual payments to the counties in which such refugees are located (78 Stat. 850).

4. *Refunds and returns.*—Overcollections are refunded and unapplied deposits are returned (64 Stat. 689).

BUREAU OF RECLAMATION—TRUST FUNDS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	7,681	16,741	28,062	2,332	16,741	28,062

When requested the Bureau of Reclamation performs investigations or construction work with funding provided by non-Federal entities under the Contributed Funds Act (43 U.S.C. 395, 396).

BUREAU OF RECLAMATION—COLORADO RIVER DAM FUND, BOULDER CANYON PROJECT

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	23,602	19,953	52,913	11,500	20,474	50,600

Revenue from Boulder Canyon project operations is placed in this fund. Due to a recent change in law (Public Law 98-381), the fund is available without further appropriation for payment of expense of operation and maintenance of the project, for payment of interest on amounts advanced from the Treasury, and for annual payments of not more than $300 thousand each to Arizona and Nevada and for repayment of advances from the Treasury for construction or other purposes (43 U.S.C. 617a; 43 U.S.C. 618 a(c)).

DEPARTMENT OF ENERGY—SOUTHEASTERN POWER ADMINISTRATION

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total						

A continuing fund of $50,000, maintained from receipts from the transmission and sale of electric power in the southeastern area, is available to defray expenses necessary to insure continuity of service (16 U.S.C. 825s-2).

DEPARTMENT OF ENERGY—SOUTHWESTERN POWER ADMINISTRATION

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total						

This fund, replenished from power receipts, is available permanently for emergency expenses that would be necessary to insure continuity of service (16 U.S.C. 825s-1; 63 Stat. 767; 65 Stat. 249).

MINERALS MANAGEMENT SERVICE—PAYMENTS TO STATES FROM RECEIPTS UNDER MINERAL LEASING ACT

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	537,523	574,391	604,148	537,523	550,496	604,148

Alaska is paid 90 percent and other States 50 percent of the receipts from bonuses, royalties, and rentals resulting from development of mineral resources under the Mineral Leasing Act (30 U.S.C. 191), and from leases of potash deposits (30 U.S.C. 285), on both public domain and acquired lands.

GEOLOGICAL SURVEY—CONTRIBUTED FUNDS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	50	500	500	−1	551	500

Funds contributed by States, counties, municipalities, and private sources are used to provide basic scientific data and analyses concerning water, land, energy, and mineral resources.

BUREAU OF MINES—CONTRIBUTED FUNDS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	495	500	500	615	533	507

Funds contributed by States, counties, municipalities, and private sources are used to conduct research and investigations in such areas as conservation, evaluation, and development of mineral resources and the health and safety of miners, and the solution of minerals related environmental problems.

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BUREAU OF MINES—HELIUM FUND

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total				−4,632	−1,210	−994

The authorized purpose of the Helium Act Amendments of 1960, Public Law 86-777 (50 U.S.C. 167), is to provide for the current and foreseeable future requirements for helium for essential Government activities.

NATIONAL PARK SERVICE—MISCELLANEOUS PERMANENT APPROPRIATIONS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	1,028	1,271	1,271	1,116	1,342	1,243
Budget authority and outlays are distributed as follows:						
Educational expenses, children of employees, Yellowstone National Park	565	555	555	485	544	543
Payment for tax losses on land acquired for Grand Teton National Park	35	30	30	28	29	29
Operation, management, maintenance, and demolition of federally acquired properties Independence National Historical Park	3	5	5	16	5	5
Delaware Water Gap, Route 209 operations	425	681	681	587	764	666

1. *Educational expenses, children of employees, Yellowstone National Park.*—Revenues received from the collection of short-term recreation fees to the park are used to provide educational facilities to pupils who are dependents of persons engaged in the administration, operation, and maintenance of Yellowstone National Park (16 U.S.C. 40a).

2. *Payment of tax losses on land acquired for Grand Teton National Park.*—Revenues received from fees collected from visitors are used to compensate the State of Wyoming for tax losses on Grand Teton National Park lands (16 U.S.C. 40d-3).

3. *Operation, management, maintenance and demolition of federally acquired properties, Independence National Historical Park.*—Moneys collected from parking receipts and office rentals are used for the operation, management, and maintenance of purchased or donated properties as authorized by the Act approved October 26, 1951 (65 Stat. 664).

4. *Delaware Water Gap, Route 209 operations.*—Fees collected for use of Route 209 within the Delaware Water Gap National Recreation Area by commercial vehicles are used for management, operation, and maintenance of the route within the park as authorized by the Act approved July 30, 1983 (97 Stat. 329).

NATIONAL PARK SERVICE—MISCELLANEOUS TRUST FUNDS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	11,920	13,205	8,833	7,580	17,533	8,833
Budget authority and outlays are distributed as follows:						
National Park Service, donations	11,905	13,197	8,825	7,574	17,528	8,825
Preservation, Birthplace of Abraham Lincoln, National Park Service	15	8	8	6	5	8
Jefferson National Expansion Memorial, contributions						

1. *National Park Service donations.*—The Secretary of the Interior accepts and uses donated moneys for purposes of the National Park System (16 U.S.C. 6). Beginning in 1984, substantial donations have been made for the restoration of the Statute of Liberty and Ellis Island.

2. *Preservation, Birthplace of Abraham Lincoln, National Park Service.*—This fund consists of an endowment given by the Lincoln Farm Association, and the interest therefrom is available for preservation of the Abraham Lincoln Birthplace National Historic Site, Ky. (16 U.S.C. 211, 212).

3. *Jefferson National Expansion Memorial contributions.*—Pursuant to the act of May 17, 1954 (68 Stat. 98–100), as amended, the Secretary of the Interior was authorized to construct upon the Jefferson National Expansion Memorial National Historic Site, St. Louis, Mo., an appropriate national memorial to those persons who made possible the territorial expansion of the United States. Contributions are accepted from the city of St. Louis or other non-Federal sources.

NATIONAL PARK SERVICE—OPERATION AND MAINTENANCE OF QUARTERS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total	8,034	9,584	9,987	7,947	9,132	9,912

Revenues from the rental of Government-owned quarters to park employees are deposited in this account and used to operate and maintain the quarters.

NATIONAL PARK SERVICE—LAND AND WATER CONSERVATION FUND

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Contract authority		28,710	30,000			

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION—GIFTS AND DONATIONS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total		2,623		10	1,430	802

The gifts to the Corporation will be used to pay various expenses of the public improvements activity, and sponsor events in the parks and plazas within the PADC area.

UNITED STATES HOLOCAUST MEMORIAL COUNCIL—GIFTS AND DONATIONS

[In thousands of dollars]

	Budget authority			Outlays		
	1985 actual	1986 estimate	1987 estimate	1985 actual	1986 estimate	1987 estimate
Total				−2	2	

The United States Holocaust Memorial Council may solicit and accept donations to aid or facilitate the construction, maintenance, and operation of the memorial, as per section 7 of Public Law 96-388.

BUDGET RECOMMENDATIONS OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS AND ITS SUBCOMMITTEES

COMMITTEE RECOMMENDATIONS FOR THE BUREAU OF INDIAN AFFAIRS (BIA) AND THE INDIAN HEALTH SERVICE (IHS) FOR FY 1987

Bureau of Indian Affairs (BIA)

The Bureau of Indian Affairs within the Department of the Interior, is the primary agency charged with the federal responsibility for providing assistance and protection for tribes and their Indian members. Its purpose is derived from the government-to-government relationship which exists between tribes and the U.S. Government, one which is based on treaties, executive orders, and other agreements. Additionally, the Snyder Act of 1921 provides the basic authorization for appropriations covering the activities of the Bureau of Indian Affairs. Other authorizing legislation has since been enacted which has better defined the BIA's mission.

The Committee on Interior and Insular Affairs, within the House of Representatives, has the primary jurisdiction over BIA, with the exception of education, and the Indian Health Service (IHS), within the Department of Health and Human Services.

The FY 1987 President's Request for the BIA, excluding its Indian Education programs, was $741,190,000. The comparable FY 1986 appropriations for this agency, minus the Deficit Reduction Act's automatic cuts, was $772,943,000. The Committee's recommendations provide for a restoration of $32,500,000 to several programs that were reduced in the new Request.

1. *$12.038.000 Reduction for Assistance to Alaska Natives.*—The Committee is strongly opposed to this proposed reduction for serving to Alaska Natives and recommends the restoration of this amount to the Bureau's budget for these same purposes. The reduction would eliminate almost all of the BIA programs presently service Alaska Natives. These reductions would take place in the following:

	Millions
Indian Child Welfare	–$.710
Small Tribes Core Management	–.679
ANILCA Programs	–.700
ANCSA Cemetery/Historical Sites	–1.568
Facilities Management	–1.248
Tribe/Agency Operations	–6.336
Housing	–.797

It is the Committee's understanding that several programs will be eliminated outright under this proposed reduction. These programs are: Adult Education, Agricultural Extension Services, Social Services, Self-Determination Act grants, Road Maintenance, Water Resources, and Mineral and Mining.

These reductions were justified on the basis that "Over 30 percent of Alaska Natives live in urban areas, and the remainder live in villages which can receive state revenue sharing . . . Given the improvement in Native economic status; . . . ." The Committee cannot agree with this rationale nor is the Committee able to determine what the Bureau's justification was based on in order to make the decision that the Alaska Native economic status has greatly improved.

2. *Litigation Support.*—Litigation Support is a component within the Indian Rights Protection Office. The FY 1986 final budget for this office was $5,072,000 and the FY 1987 Request was $1,180,000 for a reduction of $3,892,000. This office is responsible for gathering and providing the information and evidence needed by the United States to successfully defend the Government's position in litigation involving Indian rights issues. Litigation support is also provided to the tribes in cases where they are separately represented because other interests of the United States conflict with those of the affected tribes. According to the BIA justification, much of this office's work is directed toward negotiated settlement of lawsuits which include such issues as title questions; rights-of-way; allotment claims or other activities which have harmed or could harm the health and safety of the Indian community involved. The Committee feels that this Office's responsibilities are very important in assisting the Government and the tribes in reaching amicable resolutions in the difficult situations tribes are sometimes confronted with. The Committee, therefore, recommends a restoration of $4,000,000 to this program which would increase the request to $5,180,000.

3. *Indian Self-Determination Act Grants.*—These grants are awarded to federally recognized tribes in order to strengthen and improve their governments. This includes the improvement of a tribe's ability to manage its contracts and grants awarded to the tribe to provide a variety of services and assistance. In FY 1986 the BIA was funded at $10,895,000 for this program and the FY 1987

Request was in the amount of $7,361,000. This is a reduction of $3,534,000. The BIA estimates that the number of Self-Determination Act contract and grants to be awarded will be 1,445 and estimates that 1,435 will be awarded in FY 1987 under the proposed budget. The Committee notes that not only does the BIA expect the number of awards to decrease but also the amount of the average award will also decrease in order to accomplish such reduction. The Committee disagrees with the Bureau's request and proposal to diminish the number and amount of awards available to tribes and recommends a restoration of $3,500,000 to this program for a total program budget of $10,861,000.

4. *Housing Improvement Program (HIP).*—The BIA Construction Program for FY 1987 was the most severely affected under the new budget request. The Final FY 1986 budget for the BIA construction account was $100,818,000. This resulted in a decrease in the construction program from the previous fiscal year of $41,663,000. For the Housing Improvement Program within the construction account, the FY 1986 budget was $42,564,000. This amount included a special allocation of $20,000,000 for homes for relocatees moved under the Navajo-Hopi Relocation Settlement Act. The FY 1987 budget request was $16,295,000 targeted solely to the renovation of existing Indian homes. Excluding the $20,000,000 setaside in FY 1986, this is a decrease of $6,269,000 for HIP and an elimination of new homes specifically. The Committee has, in past recommendatons, stated its support of this program through its continued support for sufficient budget authority to permit the BIA to provide homes to Indian people who are otherwise unable to have adequate housing. The Committee reiterates its strong support of this program by recommending a restoration of funds to this program in the amount of $6,000,000.

5. *Navajo Indian Irrigation Project (NIIP).*—Under the BIA's Construction Account is the Irrigation Systems program which extends, improves, operates, and maintains existing Indian irrigation systems, and for the development of water supplies. Funding for specially authorized programs are also included in this account. The FY 1986 budget for this program was $17,163,000 and the FY 1987 Request was $13,900,000 for a decrease of $3,538,000.

One specially authorized irrigation project is the Navajo Indian Irrigation Project. NIIP was authorized by Congress under Public Law 87-483 on June 13, 1962. This Act also authorized the construction of the San Juan Chama Diversion Project which diverted San Juan River water into the Rio Grande River Basin. The San Juan Project has been completed for nearly 18 years. NIIP construction is still less than one half complete with about 49,000 acres now under irrigation and another 61,000 acres awaiting irrigation. NIIP is *not* a part of the Bureau's priority system for Indian irrigation projects. The Navajo Nation estimates that $10,100,000 would be needed to allow the Bureau of Reclamation to complete the construction of Block Six, a project which was begun with FY 1985 funds. The Committee agrees that this project is a commitment which the federal government is responsible for fulfilling. However, given the the cost of this project the Committee feels that a budget recommendation in a lesser amount would be more feasible at this time. This would permit additional work to continue on the project and provide assurances to the tribe of the federal government's commitment to meeting this obligation. Therefore, the Committee recommends an increase to the BIA's Irrigation System program in the amount of $5,000,000 for this purpose.

6. *Gila River Farms—Sacaton Ranch.*—The Committee notes that there is no funding for this project in the BIA's Irrigation Systems Program. This project was submitted by the tribe to the Bureau as a three-year improvement plan needed on order to upgrade their tribal ranch. This would in turn assist in improving the tribe's economic status and would be of great benefit to the tribes members, in terms of stable employment and services. This three-year plan would also allow the Gila River Farms to utilize its water resources from the Gila River and the Colorado River.

The Committee supported the funding for this project in FY 1986 but budget constraints prevented the appropriations of funds for this project. The Committee, once again, recommends as increase to the BIA budget for this purpose for a first-year funding of this project at $2,500,000.

INDIAN PROGRAMS

[In millions]

	Fiscal year 1986 appropriation	Fiscal year 1986 with G-R-H 4.3 percent	Fiscal year 1987 request	Allocation for tribe agency	Alaska reduction	1986–87 difference
Tribal government services	32.233	30.847	30.940	(25.336)	(−539)	0.093
Social services	113.199	108.331	114.301	(21.198)	(−400)	5.970
Law enforcement	48.570	46.481	49.148	(46.047)		2.667
Self determination	21.377	20.420	21.986	(2.363)	(−700)	1.566
Navajo-Hopi	2.931	2.805	2.931	( )		
Indian services subtotal	218.270	208.884	219.306	(94.944)	(−1.639)	10.422
Employment development	26.690	25.550	24.449	(21.856)	(−1,733)	−1.101
Business enterprise	13.775	13.183	15.296	(3.653)		2.113
Road maintenance	23.069	22.077	22.799	(22.485)	(−150)	.722
Economic development/employment subtotal	63.542	60.810	62.544	(47.994)	(−1.883)	1.734
Natural resources	2.407	2.303	2.630	(1.060)		.377
Agriculture	29.223	27.966	22.532	(19.713)	(−288)	−5.434
Forestry	33.801	32.348	29.554	(23.493)		−2.794
Water resources	10.783	10.319	1.967	(1.502)	(−45)	8.352
Wildlife and parks	25.783	24.674	27.439	(18.642)	(−38)	2.765
Minerals and mining	9.509	7.741	9.373	(1.632)	(−86)	1.622
Irrigation and power	7.940	7.599	7.587	(0)		−.012
Natrual resources subtotal	119.526	114.387	101.082	(66.042)	(−477)	−13.305
Rights protection	21.408	20.488	22.247	(4.839)		1.759
Real estate and financial trust	29.852	28.568	34.950	(22.089)		6.382
Trust responsibilities subtotal	51.260	49.056	57.197	(26.928)	( )	8.141
Facilities management subtotal	91.298	87.372	88.597			1.225
General administration subtotal		75.767	81.679	(17.462)	(−857)	5.912
BIA operations subtotal		596.276	610.741	(261.077)	12.010	14.475
Building and utilities	38.365	33.844	28.960			
Irrigation systems	18.221	17.438	13.900			
Housing	44.476	42.564	16.295			
Land acquisition	2.386	2.283	0			
Offset	−3.000					

INDIAN PROGRAMS—Continued

[In millions]

	Fiscal year 1986 appropriation	Fiscal year 1986 with G-R-H 4.3 percent	Fiscal year 1987 request	Allocation for tribe agency	Alaska reduction	1986–87 difference
Fire suppression transfer		4.689	0			
Construction subtotal	100.448	100.818	59.155			
Road construction subtotal	0	0	0			
Alaska Native escrow	7.830	7.493	0			
Loan guaranty and insurance fund	2.197	2.103	2.485			
BIA total	1,006.403	706.690	672.381	261.077		−34.309
Supplementals			29.400			
Grand total			701.781			

INDIAN HEALTH SERVICE

In fiscal year 1986, after adjusting for the FY 1986 Gramm-Rudman reductions, Congress appropriated $853,963,000 to the Indian Health Service. Of this, $807,765,000 was appropriated for health services and $46,198,000 for facilities construction. For FY 1987, the Administration is requesting $722,378,000 for health services and facilities construction in a combined appropriations. $2,450,000 of that amount would be for facilities-related expenditures. Of the FY 1987 request, $17,000,000 is to be derived from Medicare/Medicaid collections in violation of the provisions of the Indian Health Care Improvement Act and $8,000,000 from grossly overestimated receipts from third party health insurers.

Without any true adjustment for inflationary impact, the fiscal year 1987 budget proposed by the Administration represents a cut of $85,837,000 in health services or over 10%. Major areas of the health services cuts includes $30,000,000 in contract health care services; $9,644,000 in urban health projects, a reduction of 100%; and $25,383,000 in the Community Health Representative program, a cut of 100%.

In the area of health facilities construction, the Administration is requesting only $2,450,000 for health facilities modernization and repair as a part of the health services appropriation and no funds for construction. This represents a cut of $43,748,000, effectively an elimination of Indian health construction.

The Committee finds these proposed reductions to be totally unacceptable for a Federal agency providing essential life-and-death services to the Indian people, the most economically and socially deprived segment of the Nation's population and a population for whom the United States has a special trust and guardianship responsibility based upon treaties, statutes, and historical relationship.

Therefore, the Committee is recommending a restoration of approximately $126,000,000 to the budget of the Indian Health Service. This restoration will bring the IHS budget for FY 1987 nearly up to the FY 1986 appropriation after the adjustment for the FY 1986 Gramm-Rudman reductions.

Because of the compressed time frames on the FY 1987 congressional budget process, a more complete explanation of the Committee's recommendations cannot be made available in this report. These detailed explanations will be made available to the Budget Committee and the Appropriations Committee at a later date.

Committee Recommendations for U.S. Insular Areas

The United States has special obligations to its territories and commonwealths.

They are members of the American political family because the United States wanted them to be. As our insular borders in the Caribbean and the Pacific, they serve United States strategic and other interests. Their people to do so willingly.

Distant from supplies and markets, with limited resources bases, distinct histories, and inadequate infrastructure, their economies are made even more fragile because they operate among economics that have the competitive advantage of not having to adhere to United States standards.

The Federal system denies the people of these islands the influence over their future that it provides the people of the States. Because of this the federal government has direct responsibilities for the insular areas that it does not have for the States.

The 3.5 million Americans of the territories and commonwealths deserve no less from government than do their fellow Americans. So their unique circumstances require the sensitive applications of policy and special assistance to enable them to realize their unique potentials.

The budget governs whether insular American really receives services, opportunities, and assistance that is equitable with that provided the States. It controls whether their needs—and national objectives for them—are met.

The budget determines this in provisions which affect the rest of the nation as well as provisions which only affect the insular areas. Most provisions which affect the rest of the nation concern the insular areas but some do not . . . generally to their detriment. Other provisions may substitute for national provisions or are targeted to insular needs unparalleled in the states.

The Committee reviewed the provisions of the President's proposed fiscal year 1987 budget which are unique to the insular areas with as much care as was possible in the time alloted by the Balanced Budget and Emergency Deficit Control Act of 1985. This examination included hearings at which the administration's requests were explained and insular officials commented on the requests and identified needs which would not be met by them.

Based upon its work, the Committee agreed upon the views and estimates which follow. They are bipartisan and uniform.

These recommendations would not result in assistance to the insular areas that is equivalent to assistance to the States. Instead, these recommendations constitute the minimum reasonable response to undeniably critical needs given stringent Federal fiscal constraints. Restricting spending would contravene paramount national and insular interests.

The short time period between the President's submission of his requests and the deadline for the submission of these views and estimates did not permit the Committee to thoroughly examine the impact on the insular areas of budgetary provisions which apply to the entire nation. However, the Committee is concerned by reports that spending reductions mandated by the Balanced Budget and Emergency Deficit Control Act of 1985 will have a disproportionately adverse impact on the insular areas.

This greater adverse impact is due to the different treatment the insular areas often receive in national programs. It is also attributable to the simple fact that the insular areas are substantially more needy on a relative basis than other jurisdictions. This disparity should be studied and rectified so that any adverse impact of federal budgetary policies in the insular areas is reasonably equivalent to the adverse impact in other jurisdictions.

AMERICAN SAMOA

Fiscal assistance

American Samoa is the only insular area for which the basic governmental assistance traditionally provided has been discretionary from year to year. This subjects the operations of the local government more to the vagaries of the federal fiscal situation than may be the case for other insular areas.

The Committee believes that the Americans of this territory should not suffer because of this arrangement. It is hoped that the basic support mechanism for the territory can be regularized.

The President has proposed an increase in the federal contribution to American Samoa's budget from $19,763,000 to $20,776,000. While the increase will not prevent the need for serious budgetary action in the territory, it is included in the estimates for Administation of Territories as being reasonable given federal fiscal constraints.

Increasing local revenues is one of the budgetary actions that the territory must take in light of the federal fiscal situation. Thus, the Committee supports the responsible actions of the Governor and Legislature to increase American Samoa taxes.

Medical equipment

The Committee is concerned about the adequacy of medical facilities in American Samoa and it intends to examine this matter this year. It is aware that the primary medical center on Tutuilla lacks essential equipment and that clinics on other islands lack even basic facilities.

Included in the estimates for Administration of Territories is $600,000 to fund priority improvements in these facilities but the Committee would expand this amount appropriately to address pressing needs.

Home mortgage assistance.

Because liens cannot be placed on the communally-owned land in America Samoa, FHA-insured mortgages are unavailable in the territory. The lack of this basic federal home ownership assistance exacerbates a dire housing shortage which has other causes as well.

The Committee has sought solutions to the problem by directing that the Secretary of the Interior, in consultation with the Secretary of Housing and Urban Development, make recommendations on how it should be dealt with. The recommendations were due to be submitted last October.

The Committee is displeased that the recommendations were not submitted on the date required by law and have not yet been submitted. In view of the seriousness of the problem, a failure to pursue solutions with vigor is unacceptable.

To ensure the availability of some home loans on reasonable terms, the fiscal year 1985 appropriation included a $980,000 contribution to the islands' Development Bank recommended by the Committee. This assistance should be continued in fiscal year 1987 and this amount is included in the estimates for the Administration of Territories.

Educational facilities

American Samoa's school system has struggled with a serious overcrowding problem in recent years. The school-age population is growing at particularly high rates: pupil enrollment grew almost a tenth between fiscal years 1984 and 1985.

$1 million was appropriated to build badly needed secondary level classrooms and a gymnasium in fiscal year 1986. However, construction of the gymnasium, which would have been the territory's first, was put off because of the funding cutback compelled by the Balanced Budget and Emergency Deficit Control Act of 1985.

The Committee has included $1,320,000 in its estimates for the Administration of Territories for an additional 18 classrooms and the gymnasium, which is sorely needed because of the islands' heavy rainfall.

Prison expansion

The only correctional facility in American Samoa was built on Tutuilla to accommodate 50 minor offenders. Reports in fiscal year 1984 indicate a prison population averaging 80 persons, including hardened criminals.

In addition to overcrowding, the facility's inability to segregate juveniles, women, and first offenders from more dangerous inmates poses a threat to safety and hinders rehabilitation. Further, living conditions are unsanitary.

The administration has requested appropriations to improve the existing facility on Tutuilla as well as construct smaller facilities on the islands of Aun'u and Ta'u. The Committee has included $750,000 in its estimates for the Administration of Territories for this purpose.

Water system

The Committee recommended—and appropriations were made—for improvements to the water system on the eastern end of the island of Tutuilla, American Samoa in fiscal year 1986. The administration has requested further appropriations for this purpose since there are areas which still have no or inadequate water service. Proposed fiscal year 1987 work would provide water to the villages of Nua and Se'etaga and schools.

The administration has also proposed to replace four unsafe wells on the western end of the island, installation of boosters for filling storage tanks in the bay area; installation of pressure-reducing values throughout the water system; security fencing; and improved access to wells and storage tanks.

The Committee supports appropriations for these projects. It has included in its estimates for the Administration of Territories the $1,050,000, requested by the administration.

Tafuna Industrial Park and petroleum storage

The Committee welcomes projects which would help diversify the economy of American Samoa. Thus, it supports expansion of the industrial park on Tutuilla which was developed with federal and local funds.

The administration's proposal for this project would add 12 lots totalling ten acres to the 29 lots totalling 25 acres presently developed at Tafuna. Improvements would include necessary infrastructure.

Since more than two-thirds of the park is currently occupied by private business (and an additional sixth of the park is used by the territorial government) expansion now can be considered forward-looking. The Committee is uncertain whether this planning has been considered sufficiently.

The administration has not explained what additional businesses it anticipates will locate in the park. Nor has it explained how rents will generate the $370,000 the territorial government is expected to contribute for the expansion.

The administration has also proposed relocating the territory's petroleum storage tanks from the crowded Pago Pago harbor area to the industrial park for safety reasons. This would entail developing a barge/deepwater harbor and fuel dock at Pala Lagoon.

A study of the engineering feasibility and environmental impact of the Pala Lagoon is required. The Committee hopes that the study will weigh the environmental consequences of dredging the lagoon as carefully as it considers design and economic benefits.

The Committee has included the $630,000 for the industrial park expansion and $300,000 for the lagoon study in its estimates for the Administration of Territories.

GUAM

Fiscal assistance

Guam is provided permanent federal financial assistance through advanced payment to the territory of United States tax, duty, and fee collections from the island. Federal payment to Guam of these collections is a fundamental element of the fiscal relationship between the United States and the territory and is deeply rooted in insular policy.

The implementation of the Balanced Budget and Emergency Deficit Control Act of 1985 is contradicting the time-honored commitment to pass on these estimated collections in full. The failure of that law to include a specific exemption for this account is subjecting the amount of estimated collections to be paid to the territory to sequestration to meet deficit reduction targets.

The revenues involved constitute a federal obligation to the territory prior to their collection. Withholding a portion for federal use would result in an unprecedented transfer of resources from the territorial to the federal government.

As the Director of the Office of Management and Budget has testified in identifying sequestration of these payments as a deficiency in Public Law 99–177, these "funds appear in the budget as an incidental matter for convenience of administration rather than as a means of resource allocation."

The Committee resolves that whatever action is necessary to ensure full payment of the annual estimates of these collections as required by the Organic Act of Guam should be taken. When discrepancies between estimated payments and actual collections are reconciled at the beginning of ensuing fiscal years, any shortfall in the estimated payment attributable to sequestration should be made up. Any necessary legislation should be enacted to prevent federal sequestration of this territorial revenue source and contradiction with the federal-territorial fiscal relationship.

Included in the estimates for fiscal year 1987 Payments to United States Territories, Fiscal Assistance is $30,290,000. This includes the $29 million estimated by the administration to be collected in fiscal year 1987 plus the $1,290,000 being sequestered in fiscal year 1986.

Guam power loan subsidy

The Committee has taken several initiatives to ensure that Guam has reliable, adequate, and reasonable electric power service and to put the Guam Power Authority on a sound financial footing. The most recent authorized refinancing of a debt to the Federal Financing Bank that the utility was authorized to incur earlier. This authorization included a subsidy by the Department of the Interior of interest costs above seven percent of the $36 million loan.

A belated request by the President for the $8,646,000 required for fiscal years 1985 and 1986 was unfortunately reduced for deficit reduction purposes to $8,066,000. This reduction will prevent the Department of the Interior from meeting the federal share of the debt. It will also jeopardize the financial stability of the utility, which serves both civilian and military needs.

The Committee, therefore, has increased the amount in its estimates for the Administration of Territories for this purpose from the President's request of $1,606,000 to $1,966,000. It understands that such an increase would enable the department to meet its fiscal year 1986 obligation regarding the debt in fiscal year 1987.

The Committee further agrees to seek an exemption for these payments from the sequestration of budgetary resources mandated by the Emergency Balanced Budget and Deficit Control Act of 1985.

Mental health/drug abuse facility

Appropriations were made in fiscal year 1986 to design a mental health/drug abuse facility in Guam. Such a facility is needed because care is currently provided in the old Guam Memorial Hospital which has serious structural deficiencies.

These deficiencies are serious enough to pose a threat to safety as well hinder the treatment of patients. They cannot be corrected by cost effective renovation.

Included in the Committee's estimate for the Administration of Territories is $1,450,000 for the first phase of construction. This is approximately half of the anticipated federal share of the two year project if certain other aspects, such as offices and grounds, are financed by non-federal contributions, as recommended by the Committee on Appropriations of the other body.

The Committee understands that treatment facilities will include areas for the criminally insane and observation of individuals awaiting trial; acutely ill, psychotic patients; chronically ill and transitional patients; and other clinical and community services.

In view of the need for the facility, the committee hopes that it can be constructed by the end of fiscal year 1988. This may only be possible, however, if the Department of the Interior ensures that planning begins shortly. The committee is concerned that planning has not begun yet, despite the appropriation of funds for this purpose.

Water system

The deficiency of the water infrastructure in Guam is so serious that it has led to crisis conditions in the southern part of the island. In recognition of this, Public Law 98-454 authorized $16,300,000 to fund the necessary improvements.

The Committee is pleased that the President proposed to increase the $2,954,000 appropriated for year 1986 for this purpose to $3,500,000. This is the amount that the Commission recommended and was appropriated for fiscal year 1986.

Therefore, included in the estimates for the Administration of Territories for fiscal year 1987 is $3,500,000 for this purpose.

These funds would be used to renovate the Mangilao to Chalan Pago water line. The inadequacies of the existing line have contributed to the water crisis in the southern part of the island.

NORTHERN MARIANA ISLANDS

Fiscal assistance

The federal relationship with the newest member of the American political family was established by the approval in Public Law 94-241 of the Covenant between the United States and the Northern Mariana Islands.

Among the obligations that the United States assumed was to provide direct financial support for local government operations, capital improvements, and economic development for at least seven years after the year of approval of the Covenant at levels adjusted for inflation. The goal was to assist the islands' government "in its efforts to achieve a progressively higher standard of living for its people as part of the American community and to develop the economic resources needed to meet the financial responsibilities of local self-government."

The United States fully met this obligation, which expired with the close of fiscal year 1985.

The Covenant authorized—but did not require—assistance beyond the guaranteed period. The assistance formula in effect during the initial period was to continue until there is a determination in law regarding future assistance.

Further periods of multi-year assistance were also contemplated, however. Recommendations on multi-year assistance beyond the initial period were to be made by representatives of the President and the Governor.

These representatives agreed on another seven year package of assistance last July. The Department of the Interior subsequently requested amendment of the Covenant to provide the assistance recommended by the representatives.

Assistance for fiscal year 1986 in the proposed amendment to the Covenant was somewhat less than what was authorized to be provided under the Covenant. This amount was appropriated pending congressional approval of the amendment.

Assistance for fiscal year 1987 in the proposed amendment to the Covenant, by contrast, is substantially more than what is authorized to be provided under the Covenant. The President has proposed appropriation of this amount—$35,344,000—and the Committee has included it in its estimates for the Administration of Territories.

The Committee will consider the recommended amendment to the Covenant as well as an alternative to it proposed by the elected representative of the islands. It expects to act on legislation to provide such further multi-year assistance to the commonwealth in the near future.

Inclusion of the recommended amount in the estimates should not be interpreted as an indication that the Committee will approve the recommended amendment to the Covenant, however.

The Committee has concerns regarding aspects of the proposed amendment other than funding levels, including the authority which would be vested in the Department of the Interior. These concerns—as well as the effectiveness of assistance previously provided and the commonwealth's own efforts to meet its revenue needs—will be fully explored in the Committee's consideration and action on future assistance.

PUERTO RICO

Fiscal assistance

Puerto Rico is provided permanent federal financial assistance through payment to the commenwealth of United States tax, duty, and fee collections from the island. Federal payment to Puerto Rico of these collections is a fundamental element of the fiscal relationship between the United States and the commonwealth. It is a policy arrangement that has been consistent throughout this century.

The implementation of the balanced Budget and Emergency Deficit Control Act of 1985 is contradicting the time-honored commitment to pass on these collections in full. The failure of that law to include an express exemption for these accounts has led the GAO to subject the amount of collections to be paid to the commonwealth to sequestration to meet deficit reduction targets.

The revenues involved constitute a federal obligation to the commonwealth prior to their collection. Withholding a portion of these payments for federal use would result in an unprecedented transfer of resources from the commonwealth to the federal governments.

As the Director of the Office of Management and Budget has testified these funds appear in the budget as an incidental matter for convenience of administration rather than as a means of resource allocation.

The Committee resolves that whatever action is necessary to clarify the matter and ensure full paymment of these collections, as required by the Puerto Rican Federal Relations Act and other laws, should be taken. Any necessary legislation should be enacted to prevent federal sequestration of this commonwealth revenue source and contradiction with the federal-commonwealth fiscal relationship.

Included in the estimates for fiscal year 1987 Internal Revenue Collections for Puerto Rico in the budget for the Internal Revenue Service in the Department of the Treasury is $255,535,000. This includes the $245,000,000 estimated by the President in fiscal year 1987 collections as well as $10,535,000 in fiscal year 1986 payments which the Committee believes is being wrongly sequestered and should be paid to Puerto Rico.

Included in the estimates for fiscal year 1987 Miscellaneous Permanent Appropriations payments to Puerto Rico in the budget for the Customs Service in the Department of the Treasury is $111,058,000. This includes the $107,711,000 estimated by the President in fiscal year 1986 collections which the Committee believes is being wrongly sequestered and should be paid to Puerto Rico.

Nutrition assistance

The budget reconciliation process in 1981 excluded needy Americans in Puerto Rico from the Food Stamps Program which continued to serve their fellow Americans. Public Law 97-35 replaced food stamps with a block grant of $825 million to provide food assistance to needy persons in the Commonwealth.

Under the block grant, Puerto Rico has designed and operated a Nutrition Assistance Program since July 1, 1982. Direct cash rather than food coupons is provided to needy households.

The grant was intended to provide the flexibility necessary for a program tailored to a unique situation with a lower administrative overhead. It was also designed to stimulate and improve food production and distribiton.

Alternative assistance should not, however, be inadequate assistance. The Committee strongly believes that the U.S. citizens of Puerto Rico should receive nutrition assistance that is equivalent to that received by their fellow Americans.

It is in this respect that the nutrition assistance grant has been deficient. Its base amount was too low. Worse, no provision was made to adjust it over time. Last year, the Committee recommended—and Congress enacted—and adjustment formula that would have increased the base amount to $852,750,000 in fiscal year 1986.

This is not all that would be needed to achieve equity but is a substantial increase.

The Committee was, therefore, sorely disappointed by the President's request to repeal the adjustment formula and maintain the grant at the outdated and inadequate base of $825 million.

Accordingly, the estimates for Nutrition Assistance to Puerto Rico in the Department of Agriculture are increased by $27,750,000; they are increased by an additional $4,950,000 to make up for the reduction of that amount in the fiscal year 1986 grant. In view of the exemption of the Food Stamps Program provided in the Balanced Budget and Emergency Deficit Control Act of 1985 such a reimbursement is clearly justified.

The recommended amount would provide needy recipients in Puerto Rico with only modest additional assistance that is far less than what would be required to make their benefits equivalent to those provided their fellow Americans.

Tortuguero Lagoon acquisition/El Morro repairs

$4 million was appropriated in fiscal year 1985 for the Fish and Wildlife Service to acquire some 1,500 acres within the Tortuguero Lagoon National Reserve in Puerto Rico to protect the animal and plant life there.

The Government of Puerto Rico now opposes the acquisition. It recognizes the need to protect these resources but it believes that they should be locally managed and has taken steps to regulate use.

The President has approved a recission of this spending, terming the acquisition as a low priority. The Committee opposes approval of Recission Proposal No. R86-57.

Because it is confident that the Commonwealth will protect the resource of Tortuguero Lagoon, however, the Committee urges that the $4 million be transferred to continue essential structural repairs at the El Morro, San Juan National Historical Site. There is an urgent need to continue the improvements at this historical fortress begun with funds appropriated in fiscal year 1984.

VIRGIN ISLANDS

Fiscal assistance

The Virgin Islands is provided permanent federal financial assistance through advanced payment to the territory of United States tax collections from the island. Federal payment to Virgin Islands of these collections is a fundamental element of the fiscal relationship between the United States and the territory and is deeply rooted in insular policy.

The implementation of the Balanced Budget and Emergency Deficit Control Act of 1985 is contradicting the time-honored commitment to pass on these estimated collections in full. The failure of that law to include a specific exemption for this account is subjecting the amount of estimated collections to be paid to the territory to sequestration to meet deficit reduction targets.

The revenues involved constitute a federal obligation to the territory prior to their collection. Withholding a portion for federal use would result in an unprecedented transfer of resources from the territorial to the federal government.

As the Director of the Office of Management and Budget has testified in identifying sequestration of these payments as a deficiency in Public Law 99-177, these "funds appear in the budget as an incidental matter for convenience of administration rather than as a means of resource allocation."

Another problem concerning these payments was created by a provision in the 1984 tax act which originated in the other body. That provision increased the tax on rum produced in the territory and transported into the United States in a general increase of excise taxes on distilled spirits. These taxes are the source of the collections which are paid to the territory. Unfortunately, the 1984 law failed to include the increase in the tax in the amounts to be paid to the territory.

The Committee resolves that whatever action in necessary to ensure full payment of the annual estimates of these collections should be taken. When discrepancies between estimated payments and actual collections are reconciled at the beginning of ensuing fiscal years, any shortfall in the estimated payment attributable to sequestration should be made-up. Any necessary legislation should be enacted to prevent federal sequestration of this territory revenue source and contradiction with the federal-territorial fiscal relationship.

Included in the estimates for fiscal year 1987 Payments to United States Territories, Fiscal Assistance is $32,240,000. This includes the $26 million estimated by the administration for fiscal year 1987 collections plus the $1,290,000 being sequestered in fiscal year 1986 and $4,950,000 to permit cover over of the 1984 excise tax increase.

Water system

The Committee has taken several initiatives in the past to improve the critical water situation in the Virgin Islands. However, substantial needs remain on all three major islands.

One of the most serious problems is that more than half of the water placed into the territory's system is lost. Some of this is due to faulty metering but most is due to leakage. Several million dollars in revenues is lost each year and public health and safety are compromised by this leakage.

Line deficiency is a particular problem in Charlotte Amalie, which accounts for more than half the total potable water demand of St. Thomas. The territory's water distribution master plan proposes replacement and relocation of 15,000 linear feet of existing water lines as well as other improvements.

Included in the estimates for the Administration of Territories is $2,900,000 to construct these new lines. The Committee continues to intend that additional federal assistance be provided for other projects to meet water needs in Charlotte Amalie and elswhere in the Virgin Islands.

Eastern Caribbean Center

In his Caribbean Basin Initiative, the President proposed the establishment of an Eastern Caribbean Center at the College of the

Virgin Islands. As a link between the United States and Eastern Caribbean mini-states, the Center is to serve as a vehicle for the study, development, sharing, and promotion of resources.

Members of the Committee had earlier supported authorization of a planning grant for the institution. Funds were subsequently provided through appropriations for territorial technical assistance. The Committee supported funding of the first phase of the Center's development. An appropriation was made in fiscal year 1985.

The center is to conduct research, provide training, coordinate forums, and engage in outreach and other technical assistance efforts. The United States should strongly support the center. The Committee considers funding an investment in imporved Caribbean Basin relations which will generate much greater returns for the United States as well as the islands of the region.

In the past, the Committee has recommended that amounts for this purpose be included in the budget for the Department of the Interior. However, that agency, which has substantial expertise in providing insular assistance but little expertise in providing foreign assistance has not effectively or expeditiously fostered development of the center. Consequently, the Committee has concluded that the U.S. Information Agency is the appropriate agency to manage federal participation in this project.

Accordingly, $1,200,000 is included in the estimates for activities of the Eastern Caribbean Center. The Committee expects that this amount will be authorized shortly.

DEPARTMENT OF THE INTERIOR

Office of Territorial and International Affairs

The Committee has expressed reservations about the effectiveness of the office charged with being an advocate for, providing assistance to, and a liasion between the United States and American Samoa, Guam, the Northern Mariana Islands, and the Virgin Islands. Yet, it has also stated its confidence in the capability and intentions of the current staff of the office.

Reservations similar to those of the Committee were well cataloged in a report last year by the General Accounting Office. The Committee's confidence in the office's staff is due to this competence and the cooperative working relationships they have established.

However deeply held such confidence may be, though, it cannot overcome the misgivings that the Committee and insular leaders have about the lack of coherent federal policies toward the insular areas. Nor can it make up for the ineffectiveness of the office in protecting and promoting insular interests as foreign and domestic policy is made and carried out.

These matters will be explored in a series of hearings that the Committee will conduct this year.

The $2,473,000 in the President's request for the office is included in the estimates for the Administration of Territories. It fairly reflects administration plans for the office.

Technical assistance

Providing technical assistance for insular management, services, and development is one of the central purposes for the Office of Territorial and International Affairs. On a relative basis, it is one that has been effectively performed in recent years.

The President's request for technical assistance funding is inadequate. So, the Committee has included $2,750,000 for this purpose in the estimates for the Administration of Territories.

Of the increase, a substantial portion should be directed to technical assistance for private sector development in American Samoa, Guam, and the Virgin Islands, as authorized by Public Law 98-454. The Committee recognizes that the President's approval of this authorization was reluctant. But, since it was agreed to, it should be funded. This is particularly true in view of the administration's stated policy of encouraging economic development and self-reliance; its proposals to reduce other forms of business assistance; and its success in discontinuing funding for insular economic development loan funds.

The focus of the assistance should be to enhance the ability of insular entrepreneurs to tap private lending sources, federal resources, market potential, and federally-created business opportunities. It should be provided in coordination with or through the American Samoa Development Bank, the Guam Economic Development Authority, and the appropriate entity in the Virgin Islands.

Two concerns about the current operation of the program are expressed.

First, the capabilities of other federal agencies should be used for technical assistance.

Second, technical assistance grants should be provided impartially and for proper purposes. The Committee agrees that the Office should have substantial flexibility to allocate funds to technical assistance projects based on need. However, it also believes that greater oversight of technical assistance expenditures is needed.

DEPARTMENT OF ENERGY

Alternative energy development

Congress and the President directed the Secretary of Energy by statute in 1980 to prepare comprehensive energy plans for each of the insular areas in cooperation with their governments and with the approval of the Secretary of the Interior. The plans were to: survey existing energy sources and uses; estimate future needs; and plan maximum reliance on indigenous, renewable resources and minimum reliance on imported fuels.

In accord with this, the Secretary submitted a Territorial Energy Assessment to Congress in December 1982. The report included recommendations for implementation projects and programs in each of the insular areas. It prompted members of the Committee to ask the Congressional Research Service to conduct a conference to review the report in 1983.

Based upon the recommendations and the conference, the Committee reported legislation broadening the authorization to include implementation of any project or program the plans recommended. This legislation was enacted in 1983.

$472,000 was appropriated for state and local assistance of Energy Conservation in the Department of Energy to fund the cost of implementing the recommendations. The amount is funding projects that are to make an actual contribution toward lessening the almost total dependence of U.S. insular areas on imported petroleum.

The Committee has included $475,000 in the estimates for Energy Conservation State and local assistance for this purpose.

RECOMMENDATIONS OF SUBCOMMITTEE ON ENERGY AND THE ENVIRONMENT

OFFICE OF SURFACE MINING

Reports of violation of both the letter and spirit of Public Law 95-87, the Surface Mining Control and Reclamation Act (SMCRA), appear to be mounting geometrically. During the last year the Subcommittee and the Full Committee have spent an inordinate amount of time and effort in an attempt to determine what could and should be done to bring the enforcement of the Surface Mining Reclamation and Enforcement into compliance with the letter and spirit of Public Law 95-87. However, from all evidence available it can only be said that the Office of Surface Mining Reclamation and Enforcement (OSMRE) is far from being an effective enforcement agency. Not only is OSMRE deficient in its direct oversight responsibilities, but there appears to be little pressure being brought by it upon several States regulatory agencies and legislatures to meet the requirements of their approved regulatory programs. This raises serious questions regarding the Federal/State relationship as envisioned by Congress and particularly the ability of OSMRE to effectively manage and enforce either its own or a State regulatory program.

During the past year, the Committee, with the assistance of the General Accounting Office (GAO), and in conjunction with the Department of the Interior, conducted the first phase of a comprehensive study of the OSMRE and its implementation of SMCRA. This study, entitled "Management Review of the Office of Surface Mining" made numerous recommendations for the improvement of overall management within OSMRE. The following are the more significant recommendations and are in the process of being implemented:

—Define OSM's role and review SMCRA to ensure that the agency is implementing all provisions of the act.

—Establish OSM policy by reviewing, amending, or promulgating new regulations.

—Resolve Solicitor and OSM problems particularly relating to the collection of delinquent AML fees and operator penalties.

—Define and develop an ADP system in compliance with the Parker-Gasch amended court order.

—Hire a high-level ADP manager.

—Initiate development of a national ADP data base in cooperation with the mining industry, states, Indian Tribes, environmental groups, and other affected parties.
—Review methodology and develop strategy for encouraging state compliance with SMCRA.
—Initiate development of an accountability and performance appraisal system.
—Strengthen the executive secretariat function.
—Develop a priority system for auditing AML fees.
—Develop a methodology to verify reported coal production and AML fee payments.
—Review, evaluate, and modify the state oversight and evaluation process so that OSM's annual report and annual state evaluations accurately reflect OSM and state progress and performance in implementing SMCRA.
—Develop basis for distributing Secretary's share of AML funds and selecting projects for funding.
—Increase coordination of AML (Title 4) and regulatory (Title 5) program activities.

In addition to the completed first phase of the management study, the Committee also has under way an investigation of the abuse of the two-acre exemption, coal exploration provision of the law, Federal regulation and enforcement, oversight of State programs and the disposition of Abandoned Mine Land Funds, all of which present major problems.

A continuing problem is the two-acre exemption. The number of instances in which mining is conducted under the two-acre exemption continues to rise and now totals over 4,000. Indeed, in some states vey significant amounts of coal are being produced from so-called two-acre mines. In Virginia alone the abuse of the two-acre exemption provision by large corporations is so widespread that according to the preliminary Mine Health and Safety Administration figures, over 45% of total coal production in the State of Virginia for substantial periods can be attributed to mines claiming the two-acre exemption. This is nothing less than total and widespread abuse of a provision that Congress adopted for the individual that wanted small amounts of coal for personal use. These mines pay no reclamation fees and thus deprive the AML Fund of substantial revenues as well as giving a significant competitive advantage over law-abiding operators. For example, for every 10 million tons of coal mined illegally under the two-acre exemption $3.5 million of AML funds are not paid into the fund but are retained by the operator. In addition, reclamation or restoration of the mined land to a useable condition is the exception. Again, this offers a significant competitive advantage as well as violating the basic underlying principle of SMCRA, i.e., mined land must be put back in as good a condition as before mining. It should be emphasized that much of the abuse of the two-acre exemption is by companies using corporate shells through which a company rapes one site, changes its name, and then rapes another site. Under its new name the process continues seemingly without end. One way to stop such abuse is to establish a computer system which tracks ownership and control of coal operators and then denies permits to such violators for mining operations conducted under the provisions of the law. Congress provided considerable funding to establish such a system in Fiscal Year 1986. The Department is seeking additional funding in its proposed Fiscal Year 1987 budget. This program, however well conceived, now appears to be destined to fail due to the instructions issued by OSMRE to its contractor to restrict the system in such a way that permits are denied only to entities immediately owned by or who own a violator—the so-called "one-up, one-down system. Such a restriction would not only allow, but encourage, the majority of current violators to go untouched or to at least restructure in such a way as to avoid detection. The Subcommittee cannot support such a system. The permit tracking concept is sound but its implementation is so flawed as to be useless. This computer system must not be permitted to fail as have three previous attempts at computerization.

Other enforcement related problems that must be given priority attention are:

2,400 unabated Federally issued cessation orders and accompanying fines are outstanding; and

More than 1,000 reclamation bond forfeitures have been made, many by operators who subsequently have been given new mining permits.

The operators or mines involved with these violations do not appear to be on any comprehensive list and neither the State regulatory agencies nor OSMRE have taken the necessary enforcement actions.

The so-called mega-bucks issue remains unresolved. Here $150–$200 million is still outstanding in uncollected fines. More importantly, this problem is not improving. It appears to be getting worse each year. To be fully cost effective any computerized system must be expended to include not only the two-acre violation but also must include: (1) nonpayment of AML fees (there are at least $30.7 million in outstanding fees), (2) uncollected section 518(b) penalties (over $150–$200 million), (3) uncollected section 518(a) penalties ($25–$30 million), (4) unabated cessation orders, and (5) various fines and penalties resulting from unabated enforcement actions by State regulatory agencies.

RECOMMENDATIONS

1. Applicant/violator computer system

OSMRE proposes to expend several million dollars to develop a computer system through which permits can be denied or revoked to persons who have outstanding violations of law. The Subcommittee considers this enforcement tool to be the last, best hope of stopping the abuse that is currently occurring throughout Appalachia. Consequently, the Subcommittee strongly supports the creation of such a system.

However, OSMRE's approach to building such a system is fatally flawed. OSMRE plans to limit the system to only one level of ownership—the so-called "one-up, one-down" system. This restriction not only violates the plain language of the Act but also ensures that the system will leave untouched the majority of gross abusers. The Subcommittee, therefore, recommends funding the system only on the condition that no monies be expended on any system that is so restricted.

2. Inspectable Units Program

OSMRE proposes a much needed program to inspect mines and associated facilities before they are removed from the jurisdiction of the Act through the approval or releasing the reclamation bond. There is now some 15,000, to 20,000 mines subject to the jurisdiction of the Act. In at least half of these mines, operators have completed coal extraction, and in many cases, the States have released the bonds. The best evidence is that many of these sites, certainly numbering in the thousands, have been left unreclaimed. OSMRE proposes to inspect these sites and take enforcement action where necessary to prevent the addition of yet another generation to prevent the addition to yet another generation of unreclaimed mines to the nation's landscape. The Subcommittee commends OSMRE for this approach.

The problem is that OSM does not identify or allocate any resources to this major program. The Subcommittee proposes that we fund this program, at a minimum, with 18 inspectors for Fiscal Year 1987, with 12 inspectors allocated to Kentucky and 6 inspectors to Virginia, where the abuse is greatest. In addition, to make maximum use of these few inspectors, support facilities, such as the use of helicopters, may be necessary to overfly and identify approximately 5,000 sites. The 18 inspectors will then follow-up with an on-the-ground inspection of the worst sites and take appropriate enforcement action. The Subcommittee believes there is sufficient flexibility in the proposed budget for such an amount—approximately $700,000 to $800,000 to be directed to such a program. Any shortfall could come by reducing the funds proposed to "General Services" or "Technical Services" in order to support the increased inspection program. The Subcommittee would also expect that the Secretary would redirect the necessary solicitor resources to back up these enforcement actions. These resources should come from the additonal FTE's provided to the solicitor in Fiscal Year 1986 but not fully utilized.

3. Two-acre abuse

The two-acre abuse problem is perhaps the most troubling of all OSMRE's many problems. The Subcommittee is currently conducting an intensive investigation into this abuse and it is finding widespread and intentional evasion of the law. This must be stopped.

Last year, the Appropriation Committee, acting on the Committee recommendation, appropriated twenty-three (23) FTE's to this critical task: 12 to Kentucky and 11 to Virginia. OSMRE, however, has not yet even hired all of these people, and to date has taken only a handful of enforcement actions. Almost no mines have been reclaimed. Despite this slow start, OSMRE proposes a $393,000 reduction in two-acre funding for Fiscal Year 1987, mainly on the theory that it will finish enforcement by the third quarter of Fiscal Year 1987, even though the two-acre inventory now contains over 4,000 mines and is still growing. The proposed reduction is not acceptable. It is proposed to restore the $393,000, and beef up the enforcement in Kentucky with 10 additional FTE's.

4. Decentralization initiative

OSMRE has asked for $3 million to cover "relocation expenses" which will be incurred as a result of a "decentralization initiative" planned by OSMRE. This decentralization initiative is not adequately explained in the budget justifictation, and officials of OSMRE were unable to offer any satisfactory explanation during our hearings. The Subcommittee is mindful that Secretary Watt "reorganized" the agency in 1981 and almost destroyed it. While recognizing that the present organization unfortunately concentrates most decision-making at the headquarters level, the Subcommittee is opposed to the expenditure of any money to implement this "initiative" until Congress has seen the plan and evaluates it. The Secretary should provide to the Committee a plan for the proposed decentralization of program responsibilities, functions and personnel.

5. Other inspection programs

We strongly favor continuation of the funding in the Fiscal Year 1987 budget for an additional 10 FTE's to handle special problems such as valley fills and coal waste dams. This would bring a total of 20 FTE's to this work, the same level as provided in the Fiscal Year 1986.

In addition, we support the continued funding requested in the OSMRE budget for implementing the Court Order in the "megabuck" case.

6. Rural Abandoned Mine-Land Program (RAMP)

For the sixth year, OSMRE has proposed to abolish the Rural Abandoned Mine Land Program despite statutory language for its existence and strong Congressional support. RAMP offers the opportunity for farmers and participants in Soil Conservation Districts to repair lands that were mined and left unreclaimed with little regard to the surface owners interests. The Subcommittee sees no reason to abolish this program which has effectively carried out the intent of Title IV by reclaiming many abandoned mines that threaten the environment of rural communities. Sufficient monies are available since the AML Fund will contain a balance of over $400 million in unappropriated monies at the end of Fiscal Year 1986. The Subcommittee therefore recommends the Committee continue funding this important program at the Fiscal Year 1986 level of $9 million.

7. Transfer of research and development functions

The Subcommittee proposes to transfer the pending and new research and development activities to the Bureau of Mines.

The primary reasons for this proposed transfer are twofold. First, OSMRE is prmarily a regulatory agency with little expertise in conducting research. In this respect, OSMRE continues to have grave difficulties in meeting its regulatory mandate and should direct all available resources to correcting deficiences in that area. In the past, Congress recognized this situation when it transferred the Mineral Institutes program from OSMRE's to the Bureau of Mines in Fiscal Year 1982. Secondly, OSMRE's research program is duplicative of research areas conducted by the Bureau of Mines, which has a greater research orientation and more expertise in these matters. Research should be consolidated into one entity in order to bring about a more efficient and cost-effective program to address environmental problems associated with coal development.

8. Permit fees

In the Fiscal Year 1987 budget, OSMRE proposed to delete legislative directions prohibiting the implementation of a cost recovery program for Federal mine plan review and permitting activities. Considerable concern was expressed to the Subcommittee over the differential impacts of such permit fees on coal mine operators, and its potentially inequitable application on those coal operators in areas subject to Federal enforcement activities. The Subcommittee recommends the retention of the legislative language prohibiting the imposition of cost recovery without Congressional approval.

OSMRE has proposed 43 FTE's and other personnel for Fiscal year 1987 to deal with the many severe enforcement problems currently confronting the agency. This number appears to be woefully inadequate to even begin to address the problems discussed above. Therefore, the Committee recommends that, at a minimum, an additional 27 FTE's for Fiscal Year 1987 above that proposed by OSMRE is necessary to begin to face the long-standing and severe problems identified above. When these recommendations are added to the proposed OSMRE Fiscal Year 1987 budget, there would be a total of 33 FTE's for two-acre enforcement, 18 FTE's for the inspectable units program, and 20 FTE's for special problems (such as valley fills, coal waste dams and other state program breakdowns). The positions are in addition to the normal complement of personnel for oversight activities. These additional FTE's will cost approximately $1,600,000 plus approximately $350,000 for helicopter overflight.

This increase is more than offset by our suggested deferral in the monies requested ($3 million) for the "decentralization initiative." We also believe that if necessary, OSMRE could shift some monies from the Technical Services budget in order to gain the critically needed enforcement capability.

NUCLEAR REGULATORY COMMISSION

The Nuclear Regulatory Commission is requesting $405 million in budget authority for fiscal year 1987. The Subcommittee concurs with this request, although it will be examining closely the Commission's allocation of available funds among the agency's programs.

User fees

The President is proposing that the Commission collect a user fee in the amount of $500 per megawatt of rated thermal capacity on all operating nuclear power plants. This fee is expected to increase receipts to about $200 million annually, approximately 50% of the NRC's annual budget, beginning in fiscal year 1987. Although the Subcommittee concurs with the President's proposal to establish the user fee and intends to consider legislation to implement it, it recommends that the receipts from the user fee be used as an offsetting receipt for amount appropriated to the Commission.

Waste activities

The Subcommittee notes that the Commission is requesting $10.7 million in budget authority for research and regulatory activities related to the NRC's responsibilities under the Nuclear Waste Policy Act of 1982. The Subcommittee believes that the cost of these activities should be paid out of the Nuclear Waste Fund established by the NWPA, and encourages the Commission and the Department of Energy to accomplish this administratively or to request appropriate legislative authority, if necessary. The Subcommittee intends to keep a close watch on NWPA-related research conducted by both the NRC and DOE to ensure that the Fund is not being charged for duplicative or unnecessary research projects.

DEPARTMENT OF ENERGY

The Subcommittee on Energy and the Environment has jurisdiction over several of the Department of Energy's commercial nuclear energy programs. These include: light water reactor safety and licensing research, Three Mile Island research, remedial action and waste technology, the uranium enrichment enterprise, and Nuclear Waste Polciy Act activities.

Research

The President has requested $11 million in budget authority for safety and licensing research and $12 million for Three Mile Island research. The Subcommittee is concerned that some of the safety and licensing research conducted by DOE may duplicate research being performed by the Nuclear Regulatory Commission. Each agency has been asked to identify the extent to which its research projects overlap those of the other agency. Although the Subcommittee recommends no changes in the President's budget request at this time, changes may be recommended on the basis of the agencies' responses.

Remedial action and waste technology

The President has requested $294.1 million for remedial action and waste technology. The Subcommittee concurs with this request.

Uranium enrichment

The President has requested $1,051,400,000 in budget authority for the uranium enrichment enterprise during fiscal year 1987. The cost of this program is recovered from customers of DOE's enrichment services. The enrichment enterprise is expected to generate $1,286,400,000 in revenues during fiscal year 1987, resulting in a zero net cost to the Government.

The Subcommittee commends the Department's efforts to reduce the cost of the program, to remain competitive with foreign suppliers, and to pay to the Treasury $235 million in previously unrecovered program costs during fiscal year 1987 and a total of $3,457 million over an indefinite period of time. Nonetheless, the Subcommittee has several major concerns.

First, the Subcommittee notes that DOE is contractually required to pay $454 million, or about 43 percent of the requested budget authority, to the Tennessee Valley Authority *for power DOE can not use.* Moreover, DOE projects that it will pay TVA an additional $1,077 billion during fiscal years 1988–1991 for unused power. Since 1981, DOE has discussed with TVA a number of options to reduce DOE's obligation to pay unused power charges, but to no avail. A provision in the Omnibus Budget Reconciliation Act of 1985 as reported by the Budget Committee would have permitted DOE to resell unnecessary TVA power to other electric utilities, but that provision was later dropped. The Subcommittee recommends that further effort be made to find an appropriate solution to this problem.

Second, the Subcommittee notes that DOE has reached an agreement with the Office of Management and Budget to the effect that DOE need only pay back $3,457 million of the $7,522 million in previously unrecovered Government costs for the enrichment enterprise. Meanwhile, DOE has been lowering the prices it charges for its enrichment services from $135 per separative work unit (SWU) in FY 1985 to $125 per SWU in FY 1986 and $119 per SWU in FY 1987. Moreover, DOE has offered incentive prices as low as $85 per SWU. While recognizing the importance of these price reductions to DOE's competitive position and even the viability of the enrichment enterprise, the Subcommittee is concerned that continuing price reductions coupled with DOE's decision to write off $4,065 of the Government's unrecovered cost may defeat the Government's ability to recover fully its costs over a reasonable period of time. Accordingly, the Subcommittee intends to look very closely at the financial status of the enrichment program in the near future.

Nuclear waste activities

The Subcommittee has jurisdiction over all nuclear waste acitivties conducted pursuant to the Nuclear Waste Policy Act of 1982 (NWPA). The NWPA requires that certain research and development and technical assistance programs pertaining to waste storage be funded out of the Genral Fund, and that activities relating to the permanent repository and monitored retrievable storage (MRS) programs be funded out of the Nuclear Waste Fund. The Nuclear Waste Fund consists of a one-mill-per-kilowatt-hour fee collected from generators of nuclear waste. As of the end of fiscal year 1986, the Nuclear Waste Fund is expected to have an unappropriated balance of $1,190,261,000. During fiscal year 1987, DOE expects receipts of $423,000,000 and net earnings on investment of $115,000,000. DOE is requesting an appropriation of $769,349,000, resulting in an unappropriated balance of $958,912,000 at the end of fiscal year 1987.

The Subcommittee concurs in DOE's request with one exception, involving the Department's monitored retrievable storage (MRS) proposal. DOE's budget request includes $46 million for development of an MRS facility to receive spent fuel rods from commercial nuclear power plants, and repackage and ship them to a permanent waste repository. DOE's formal proposal for the MRS facility was expected in February 1986, but DOE has been enjoined by the U.S. District Court for the Middle District of Tennessee from submitting the proposal to the Congress. Although DOE has appealed the court's action, it is uncertain when the proposal will be submitted.

Construction of the MRS facility is *not* authorized by the Nuclear Waste Policy Act and any development of the concept beyond submittal of the proposal will require specific Congressional approval. Although the Subcommittee intends to consider the MRS proposal once it is submitted and may report legislation authorizing development of the MRS, no funds should be appropriated to the MRS program at this time.

Outer Continental Shelf lands

The Subcommittee on Energy and the Environment recommends no change at this time from the President's budget for Outer Continental Shelf leasing activities. However, these activities remain singularly controversial and it must be noted that the future resolution or lack of resolution of these controversies may substantially effect this budget category.

For example, within Fiscal Year 1987 the Department of the Interior must submit and the Congress will consider a new five-year leasing plan. All such plans have been controversial and subject to litigation. Most uncertain is the status of leasing off the coast of California. The Secretary is now in the process of fulfilling a statutory mandate to negotiate with a congressional team on this subject. These negotiations may result in a leasing regime off California significantly less ambitious than that now contemplated by the Department.

In addition, the sharing of OCS revenues with the coastal states remains a highly contentious and unresolved matter. More than $6 billion remains tied up in the so-called 8 (g) account, and leasing and production within the 8 (g) zone of federal waters will continue to swell this figure until an accord is finalized.

Further, the Subcommittee notes that the Department continues to pursue an areawide leasing program, albeit a modified and somewhat limited version, that has resulted in demonstrably lower per-tract federal revenues than would be the case under other leasing systems.

Finally, the Subcommittee wishes to register its distress at the continued reduction of funds for environmental studies associated with OCS leasing. Competent, reliable environmental analysis is required by law and is necessary for the best leasing decisions. It also is an essential element in creating the climate of shared confidence and trust among the various elements of local, state and federal governments, citizen and industry groups necessary for the proper functioning of the OCS leasing program.

STATE MINING AND MINERAL RESOURCES INSTITUTES

In fiscal year 1987 the Administration is proposing no new funding for the 31 mineral institutes and the 5 generic mineral technology areas that were funded at $7,612,000 in fiscal year 1986. Each mineral institute received $142,000 in matching grants to support basic research and education in the mineral sciences and engineering. In addition, in fiscal year 1986, research grants totaling almost $3 million were awarded to further research in five generic areas of mineral technology with respect to respirable dust, pyrometallurgy, comminution, mine systems design and ground control, and mineral industry waste treatment and recovery.

The Committee recommends continuation of the fiscal year 1986 funding level for the Mineral Institutes and the generic research grants.

PAYMENTS IN LIEU OF TAXES

The Administration is requesting $105 million for fiscal 1987 for payments to units of local governments who are entitled to receive in-lieu amounts for lands removed from tax rolls. The Committee concurs with this request.

[In fiscal years and thousands of dollars]

	Actual appropriations 1985	Enacted appropriations 1986	Adjusted appropriations 1986 (less 4.3 percent)	President's request 1987	Subcommittee recommendations 1987	Subcommittee compared with President's 1987
Energy and the environment:						
Nuclear Regulatory Commission	448,200	418,000	400,026	405,000	405,000	...
Nuclear Waste Disposal Fund	327,669	521,460	499,037	769,349	769,349	...
Department of Energy	372,447	457,637	437,959	472,182	426,182	−46,000
Uranium Enrichment	1,648,892	1,612,700	1,551,309	1,051,400	1,051,400	...
Office of Surface Mining	377,288	291,283	278,779	291,400	299,600	+8,200
Payment in Lieu of Taxes	102,900	104,370	99,882	105,000	105,000	...
Outer Continental Shelf	100,241	99,566	95,285	93,529	93,529	...
Total, energy and the environment	3,377,637	3,505,016	3,362,277	3,187,850	3,150,060	−37,800

RECOMMENDATIONS OF THE SUBCOMMITTEE ON PUBLIC LANDS

BUREAU OF LAND MANAGEMENT

The President's total FY 1987 budget request for BLM is $603.6 million, an increase of $11.9 million from the 1986 appropriations enacted to date. This increase is somewhat deceiving in that it is primarily the net result of proposed decreases in several of the Bureau's major operating appropriations offset by an increase of $36 million in the Miscellaneous Permanent Appropriations which cover payments to States and counties of shared revenue from BLM activities. This 1987 increase occurs strictly as a result of a quirk in the timing of the 1986 payment of shared revenues to the Oregon and California grant Land counties in western Oregon.

The Committee believes that in view of the present budgetary constraints the President's requests are acceptable with regard to most of the BLM's programs. However, the Committee recommends changes in certain areas where the Administration's requests reflect a continued imbalance in emphasis among the various aspects of BLM's responsibilities, or are premised on enactment of new legislation which Congress may or may not approve.

Thus, the Committee recommends maintaining several programs (soil, water, and air management; wildlife habitat management; recreation management; and maintenance and engineering) at the fiscal 1986 base level—this will permit maintaining these programs at their present levels, (which are already reduced from past years), without further debilitating cuts.

Overall, the Committee recommends funding for BLM operations (exclusive on land acquistition and payments to States and local governments) at a level $9,282,000 greater than requested by the President.

RECOMMENDATIONS FOR BLM OPERATIONS

The Committee's Recommendations are the same as the President's Request with regard to the following:

[In thousands of dollars]

	Fiscal year 1986 appropriations [1]	President's fiscal year 1987 request
Onshore energy and minerals	80,295	83,588
Lands and realty management	39,923	38,954
Forest management	7,396	5,106
Range management	45,553	47,465
Fire management	8,444	8,847
Planning and data management	22,153	24,413
Cadastral survey	25,605	22,691
Post-fire rehabilitation	559	584
Resource protection (technical services)	3,177	3,320
Construction and access	1,335	1,200
O&C lands	53,379	51,160
Range improvements	9,570	8,506
Service charges, etc	4,247	5,195

[1] Adjusted for 4.3 percent reduction pursuant to Gramm-Rudman-Hollings.

RECOMMENDATIONS FOR BLM OPERATIONS

The Committee recommendations for BLM operations Differ from the President's requests, as follows:

[In thousands of dollars]

Programs	Fiscal year 1986 appropriations (less 4.3 percent)	President's fiscal year 1987 request	Committee recommendation
Soil water, and air management	16,391 (15,686)	14,469	[1] 16,299
Wildlife habitat management	16,054 (15,364)	13,801	[1] 15,961
Recreation (especially cultural resources	21,397 (20,477)	19,530	[1] 21,314
Firefighting	3,492 (3,342)	3,492	[2] 10,000
Maintenance and engineering	12,160	11,745	[1] 12,145

Programs	Fiscal year 1986 appropriations (less 4.3 percent)	President's fiscal year 1987 request	Committee recommendation
"Interchange" with Forest Service	(11,637) 0	3,400	0

[1] Back to base.   [2] Start fire fund.

The Committee recommendation with regard to land acquisition is reflected in figures dealing with Land and Water Conservation Fund.

The specific areas where the Committee's recommendations differ from the President's request are as follows:

Soil, water and air management.—$16,299,000 should be made available. This would maintain these important programs at the level provided by the fiscal 1987 base.

Wildlife habitat management.—$15,961,000 should be provided for this program, which would maintain it at the level of the fiscal 1987 base.

Recreation management (including cultural resources management and recreation resources management).—$21,314,000 should be provided for this program, which would maintain it at the level of the fiscal 1987 base.

Firefighting and presuppression.—$10,000,000 should be appropriated to begin establishment of a firefighting fund, to remain available until expended. To the extent that additional funds are necessary for firefighting on BLM lands and on other federal lands, addi~~tional funds~~ should be appropriated. Funds appropriated for other purposes (such as National Park Service land acquisitions) should not be diverted or proposed for rescission in order to balance the books.

Maintenance and engineering.—For this program within the technical services subactivity, $12,145,000 should be appropriated, to maintain the same funding as the fiscal 1987 base.

Land acquisition.—The Committee believes funds should be appropriated for this purpose, in order to maintain this important program at least at a minimal level (the Administration is requesting zero funding). The recommendation is reflected in the totals for the Land and Water Conservation Fund.

Payments from receipts.—$82,504,000 will have to be paid to the affected counties and States under this program, which rebates to those governments a portion of federal receipts from timber, mineral, and other receipts, unless Congress amends existing law (as proposed by the Administration) so as to base such rebates on the net, rather than gross receipts. The Committee notes that this proposal has been advanced in previous years and has not met with Congressional approval. Pending such favorable Congressional action, it is unrealistic to assume that less than the full amount will have to be paid.

BLM/Forest Service "interchange".—The Administration has requested $3,400,000 for BLM's share of the fiscal 1987 costs of implementing the proposed "interchange" of lands and responsibilities between the BLM and the Forest Service. The Committee recommends that any appropriations for this purpose should await completion of Congressional consideration.

A more detailed discussion of these recommendations follows:

In contrast with past proposals, the Administration's BLM budget proposals for fiscal 1987 do not include grandiose plans for accelerated development of energy and other minerals, or for extensive disposals of public lands. To this extent, the budget is a more realistic one than those presented in past years by the Reagan Administration. However, this clearly is the result of changed conditions (such as decline in interest in coal leasing, and the collapse of dreams about oil shale and other synthetic fuels) rather than a rethinking of basic priorities. The deplorable neglect of other aspects of BLM's responsibilities continues and would be made worse by the President's proposals.

As the Committee has repeatedly stressed in budget recommendations since the present Administration took office, balance and the multiple-use concepts are the philosophical heart of the Congressionally-established framework within which the Bureau of Land Management operates in its management of the public lands, with their rich diversity of values and resources; but imbalance and an intentional skewing of priorities has characterized the Administration's approach to discharging its responsibilities with regard to management of those lands.

As in the past, the Committee recommendations are intended to somewhat right the imbalance in the Administration's proposals.

In light of the current budget realities, and the urgent need for funding greater than requested by the President in other portions of the budget within the Committee's jurisdiction (including but not limited to the Trust Territory of the Pacific Islands and the provisions of the Compact of Free Association added by Congress during its consideration of that legislation), the Committee has exercised great restrain in recommending additional funds for BLM as compared with the President's requests. Only essential and pressing increases are recommended, for the following reasons:

1. *Soil, water, and air management.*—The Administration proposes to reduce funding for BLM's work in this area by $1,830,000 as compared with the fiscal 1987 base, which in turn is less than the amount actually appropriated for fiscal 1986 (disregarding reductions which will occur if the March 1 sequestration of 4.3%, as specified in the Gramm-Rudman-Hollings legislation, takes effect). The Committee recommends that this program at least receive funding at the fiscal 1987 base level, so as to avoid reductions in the inventories of watershed conditions and in the quantification of sources for water rights—both of which are very important in the proper management of the public lands in accordance with the requirements of multiple use—as well as in the development of watershed activity plans, which may become even more important in the future as BLM moves to protect riparian areas.

2. *Wildlife habitat management.*—The Administration proposes to reduce funding for this purpose by $2,160,000 below the fiscal 1987 base. The Committee strongly recommends that this reduction not occur, and that at least the base level of funding be provided for BLM's work in this area.

While the Administration argues that its proposed cut of $1 million in recovery and management plan implementation "will not adversely affect the Bureau's meeting its requirements" to protect threatened and endangered species, it was explained at the relevant Subcommittee oversight hearing that "efforts on species not in danger of extinction or only proposed for listing will be reduced." In the opinion of the Committee, this is a short-sighted approach, which runs the risk that species not in imminent danger of extinction might be permitted to become so before steps were taken to protect them. The BLM also proposes to decrease the amount of inventory work and the production of new habitat management plans, but the Committee believes that these reductions should not occur to the extent that would follow from the reductions in funding being sought by the Administration.

Further, the Committee strongly believes that adequate funding should continue to be available for the matching-fund program (involving State and private organizations) for habitat improvement and maintenance work for the Desert Bighorn Sheep; thus the Committee does not concur in the Administration's proposal to eliminate all funding for this program.

3. *Recreation management.*—In this area, which includes programs for cultural resources management, wilderness management, and recreation resources management, the Administration is seeking funding at a level $1,784,000 below the fiscal 1987 base, with reductions to come in management of cultural and recreation resources. The Committee does not support this request.

The Committee notes that BLM itself reports that the 4.3% reduction which would occur if the Gramm-Rudman-Hollings sequestration for fiscal 1986 takes effect would mean that:

> The Anasazi Heritage Center, scheduled to open in 1986, will operate on restricted schedule;
>
> A long-range study of Fossil Forest will be deferred;
>
> The printing and filing of 6 final wilderness environmental impact statements will be delayed;
>
> Recreation permit compliance monitoring and patrol will be reduced; and
>
> There will be a decrease in resource protection projects.

And these and similar effects would be compounded if the Administration's proposed reductions in funding are adopted by the Congress. To avoid such results, the Committee is recommending that funding for management of cultural and recreation resources be maintained at least at the fiscal 1987 base level.

4. *Firefighting and presuppression.*—As was the case last year, the Committee strongly recommends that a "truth in budgeting" approach be adopted with respect to firefighting and presuppression activities of the BLM.

As in the past, the Administration's fiscal 1987 budget request for the BLM fire suppression and rehabilitation program is only for appropriations sufficient to provide the minimum amount needed to enable BLM to respond to emergencies; actual firefighting and rehabilitation expenditures (which of course do vary from year to year) would continue to be financed through current-year transfers from other appropriations.

The Committee believes this is unsound and deceptive. The result of this approach has been and continues to be that the budget understates the amounts needed for fire suppression and rehabilitation, while overstating the funding that is being provided for other important purposes. For example, money appropriated for fiscal 1984 and 1985 land acquisitions by the National Park Service has been diverted into BLM fire suppression and rehabilitation. Not only was this amount not proposed to be "repaid" from BLM to park acquisition funding, its diversion necessarily delayed further an already too-long-delayed implementation of Congressional intent regarding acquisition of important lands.

For fiscal 1986, in order to balance the books, the Administration is seeking rescissions of appropriations for other agencies (including for National Park System land acquisitions) equal to amounts spent by BLM in firefighting on lands managed by the other agencies.

As it did last year, the Committee strongly recommends that the BLM budget include a realistic appropriation for fire suppression and rehabilitation purposes, which until expended should remain available in an account resembling a "contingency fund". To the extent BLM's fire suppression and rehabilitation costs may be reimbursed by other agencies or by landowners, BLM's receipts from such sources should be credited to the fire suppression and rehabilitation fund. To the extent supplemental appropriations are needed, they should be requested and approved in the usual manner.

To initiate this sounder approach, the Committee recommends a fiscal 1987 appropriation of $10 million. Last year, the Committee recommended $50 million, an amount close to that historically expended for fire suppression and rehabilitation purposes, including funds directly appropriated for such purposes and funds diverted from other appropriations. This year's recommendation is much more modest because of the severity of current budget conditions, but the Committee continues to believe that an adequate and realistic "contingency fund" should be established and maintained for fire suppression and rehabilitation.

5. *Maintenance and engineering.*—For this part of the technical services activity, the Administration proposes to reduce funding by $400,000 below the fiscal 1987 base. The Committee disagrees, and recommends that funding be maintained at the base level, so as to avoid reductions in the frequency of maintenance at recreation sites and in the removal of hazardous conditions. The Committee has noted with approval that the Administration is not seeking to reduce funding below the fiscal 1987 base for the other aspect of technical services, namely resource protection (including law enforcement and coping with growing and harvesting of marijuana on public lands).

6. *Land acquisition.*—The Administration proposes to "zero-out" BLM land acquisitions by asking for no funding for fiscal 1987. The Committee believes that it is important to continue the program, and recommends that funds be appropriated for this purpose in fiscal 1987, for such priority areas as the El Malpais in New Mexico. This recommendation is discussed further elsewhere in this Report.

7. *Payments from receipts and "interchange" with Forest Service:* As noted above, the Administration budget request includes items premised on Congressional approval of legislation in these two areas. The proposal to base payments to States and local govern-

ments on net (rather than gross) receipts from timber, minerals, etc., has been advanced in previous Congresses and has not been adopted; the Committee believes that it is unrealistic to base budget proposals on the assumption that the proposal will be adopted prior to the beginning of fiscal 1987, and therefore recommends that the full amount be shown as likely to be paid under existing law. With regard to the proposal for a major "interchange" of lands and responsibilities between the BLM and the Forest Service, the Committee recommends that the Administration's request for $3,400,000 for BLM's fiscal 1987 costs for this undertaking not be appropriated unless and until such time as Congress has had an opportunity to review and act on this major legislative proposal. The Committee is aware that the proposal has undergone considerable revision since it was first presented last year, and does expect that it will be given serious consideration; nonetheless, the Committee believes it would be premature to attempt to budget now on the assumption that it will be approved exactly as proposed.

OTHER ASPECTS OF BLM BUDGET

BLM wilderness.—The Committee endorses the Administration's proposal to continue funding of the BLM wilderness program at approximately the same level as was actually appropriated in FY 86. Most importantly, it endorses continuation of the shifting of resources to interim protection of wilderness study areas and management of designated wilderness. Last year, the Congress appropriated $750,000 specifically to interim protection and wilderness management to ensure that funding was available to increase this phase of the wilderness program.

This resulted in an increase of funding specifically for interim protection of wilderness study areas to $1.8 million. The Committee believes that it is important to maintain at least this level of funding in the FY 87 budget.

Onshore oil and gas leasing.—The BLM onshore oil and gas leasing program has had numerous problems over the past several years, including several suspensions of the program because of accusations of mismanagement or malfeasance. At the same time, state governments have protested that the BLM lease lottery provides a perfectly crafted base for criminal fraud and deception, by parties who unscrupulously use the potential windfall profits from the system to lure unwary investors.

The Bureau has also run into serious problems with the classification of Known Geological Structures (KGSs). The proposed budget acknowledges the allocation of additional manpower and money to determine that each and every parcel of land under a lease application is not within the KGS, prior to issuing a noncompetitive lease.

These additional resources will not solve the problem, which arises from the virtual impossibility of any workable definition of what a KGS is or of how to determine if one exists—or doesn't.

The Committee believes serious consideration should be given to enacting legislation to replace the current leasing system with a leasing system in which most if not all leases would be awarded competitively. That would eliminate the need to identify KGSs, and the costs of doing so. It would greatly reduce the potential for fraud and abuse in the leasing system, and make the system far less appealing as a foundation for fraudulent or deceptive investment schemes.

The Congressional Budget Office has reported that shifting to an all-competitive system and raising lease rentals could increase receipts from onshore gas leasing by $700 million over a five year period. In light of the present budget situation, it is imperative to explore such a potential for increasing federal revenues.

MISCELLANEOUS

Admiralty Island Protection.—P.L. 99-235, signed into law on January 9, 1986, amended Section 504 of the Alaska National Interest Lands Conservation Act so as to provide that "subject to the availability of necessary appropriations," the Secretary of Agriculture was mandated to undertake negotiations with Shee Atika, Inc. (a corporation formed under the Alaska Native Claims Settlement Act) aimed at securing an agreement that lands owned by Shee Atika on Admiralty Island, Alaska, would not be subject to any harvesting of timber, building of roads, or other activities which would impair the suitability of the Islands for possible preservation as wilderness. The lands owned by Shee Atika are an inholding within the Admiralty Island National Monument wilderness. The President's budget request for fiscal 1987 did not include a request for appropriations to implement this provision of law.

The Committee recommends that $1,000,000 be appropriated to the Forest Service to implement this portion of P.L. 99-235. The Committee made this recommendation because of its strong support for eventual inclusion of the Shee Atika lands within the Admiralty Island National Monument and their designation as wilderness, through a voluntary exchange of lands and other things of value between the United States and Shee Atika, Inc. The Committee notes that discussions aimed at producing such a result, through fashioning of a legislative exchange acceptable to Shee Atika and other interested parties, took place durng the first Session of the present Congress, and encourages all parties to continue those discussions on a priority basis during the present Session. This part of the Committee's overall recommendation is shown in amounts allocated to the Subcommittee is shown in amounts allocated to the Subcommittee on General Oversight, Northwest Power, and Forest Management.

In making this recommendation, the Committee reemphasizes its position that the provisions of P.L. 99-235 dealing with the subject of negotiations between the United States and Shee Atika are not intended to prejudice the rights of Shee Atika or any other person or group, nor to affect the status or course of any litigation, present or future. The provisions are intended to assist in the negotiations which the Committee hopes will result in mutually-agreed changes in the status of Shee Atika's Admiralty Island lands, but the Committee has no intention of altering that status except insofar as Shee Atika may find acceptable and in its best interest.

INTERNATIONAL PROGRAMS

The Committee disagrees with the Administration proposal to eliminate from the International Park Affairs program of the National Park Service this country's participation in three valuable conservation efforts. They include membership and participation in the U.S. Committee of the International Council on Monuments and Sites (US/ICOMOS), membership in the International Union for Conservation of Nature and Natural Resources, and all technical assistance projects under the Western Hemisphere Convention. The global importance of these and other international conservation programs were highlighted during an oversight hearing on October 8, 1985, and a budget hearing on February 7, 1986.

US/ICOMOS is the leading national private organization for international cultural information exchange and related preservation programs. With the recent U.S. withdrawal from UNESCO, and the March closing of the UNESCO Liaison Office in Washington, D.C., heavier demand are being made on this important organization for advisory and professional preservation services—including demands from U.S. government agencies, including the National Park Service, the Advisory Council on Historic Preservation, the Smithsonian Institution, the State Department, the U.S. Information Agency and the National Trust for Historic Preservation. The Committee recommends that the 1987 budget include a modest $150,000 for US/ICOMOS. This funding will enable the organization to continue its programs, plan an develop the 8th ICOMOS General Assembly and Scientific Symposium to be held in Washington, D.C. in 1987 (hosted by US/ICOMOS) an continue to serve those Fedeal agencies listed above.

The IUCN is composed of 58 nations, 123 government agencies (including the U.S. Fish and Wildlife Service, National Park Service, the Forest Service and the National Oceanic and Atmospheric Administration), and 350 non-governmental organizations. The IUCN coordinates nature and conservation efforts around the world through a network of volunteers and scientists. To facilitiate and extend the already close collaboration with its U.S. members, the organization has now established a new Washington office and U.S. affiliate, IUCN-US. The Committee recommends a very modest $150,000 for the United States' contribution to IUCN-US plus $6,000 for the nation's dues to IUCN.

The United States is one of 19 signatories to the Convention on Nature Protection and Wildlife Preservation in the Western Hemisphere, commonly called the Western Hemisphere Convention. The convention seeks to protect "in their native habitat representatives of all species of [party countries'] native fauna and flora" and "regions and natural objects of aesthetic, historic or scientific value, and areas characterized by primitive conditions." Much valuable work is being done under the Convention, including attempts to hold destruction of rain forests and other types of habitat in Central and South America. The Committee recommends that the National Park Service budget include $300,000 for continuation of these important projects. The Committee also recommends continued funding at the FY 1986 level of $32,000 for the Park Service's commitment to the U.S. Man in the Biosphere (MAB) Secretariat for the cost of specific programs.

International programs	FY 1986 appropriations (less 4.3%)	President's FY 1987 budget request	Committee recommendation
National Park Service:			
International Park Affairs			
U.S./ICOMOS	149,000	0	150,000
	(142,593)		
Western Hemisphere Convention	259,000	0	300,000
	(247,863)		
IUCN dues	6,000	0	6,000
	(5,742)		
IUCN—U.S. contribution	0	0	
	(0)		150,000

In another matter beyond this Committee's legislative jurisdiction, the administration has also proposed a 15 percent reduction in funding from the $771,000 budgeted in FY 1986 for two programs within the U.S. Fish and Wildlife Service. They include the budget for the Office of International Affairs as well as funds for support of the Western Hemisphere Convention. The Committee urges the other appropriate Congressional Committees to maintain the FY 1986 level of funding for international programs in the Fish and Wildlife Service.

HISTORIC PRESERVATION PROGRAMS

The Administration's fiscal 1987 budget requests for the historic preservation programs of the Advisory Council on Historic Preservation and the National Park Service represent little change from the Administration's previous requests, which have repeatedly called for drastic cuts in the programs. If approved, the cuts would essentially eliminate the successful Federal-State-local partnership that has evolved over the past 20 years. These modest programs have leveraged many times over the Federal investment by bringing in other public and private support. Most important, they have been the catalyst for saving thousands of historic and prehistoric sites throughout the United States.

This year, the budget proposals are potentially more devastating because the Administration not only is requesting no appropriations to the Historic Preservation Fund for fiscal 1987, but also is trying to rescind over three-fourths of the amounts that Congress appropriated to the fund for fiscal 1986. The Administration would also virtually cripple the Advisory Council on Historic Preservation by slashing its staffing levels nearly a third.

The Subcommittee on Public Lands held a hearing on the fiscal 1987 historic preservation budget on February 7, 1986. Witnesses included representatives of the Advisory Council on Historic Preservation and the National Park Service and public witnesses, including representatives of the National Trust for Historic Preservation, Preservation Action, National Conference of State Historic Preservation Officers, the Society for American Archeology, The

National Alliance of Preservation Commissions, and the National Coordinating Committee for the Promotion of History.

Following is a brief description of the historic preservation programs, by agency, and the Committee's recommendations on the fiscal 1987 budget request.

HISTORIC PRESERVATION PROGRAMS

[In thousands of dollars]

Programs	FY 1986 appropriations (less 4.3%)	President's FY 1987 budget request	Committee recommendation
Advisory Council on Historic Preservation	1,575 (1,507)	1,417	1,507
National Park Service:			
Historic Preservation Fund	24,795 (23,729)	0	24,795
National Register programs	6,843 (6,549)	6,843	6,843
Environmental compliance and review	400 (383)	400	400
Grant administration	1,149 (1,100)	1,122	1,122

ADVISORY COUNCIL ON HISTORIC PRESERVATION

An independent Federal agency created by the National Historic Preservation Act (NHPA) of 1966, the Council is composed of 19 members, representing Federal agencies, State and local governments, the preservation community and the general public. The Council has two main duties: to advise the President and the Congress on historic preservation matters and to comment on Federal undertakings affecting historic properties pursuant to section 106 of the NHPA.

The fiscal 1987 request for the Advisory Council is $1,417,000 and 25 Full Time Equivalent (FTE) positions, a cut of $158,000 and 11 FTE's from the fiscal 1986 adjusted appropriations of $1,507,000 and 36 FTE's. The Council's current authorized level is $2.5 million annually through 1989. (The Council's initial estimate to OMB was $1,805,000 and 36 FTE's for fiscal 1987.)

The Committee does not agree to such a reduction in the Advisory Council's budget, but rather, recommends that $1,507,000 (including 36 FTE's) be appropriated for fiscal 1987. This would not increase the Council's programs, but would allow the Council to continue at the same service level as in fiscal 1986.

NATIONAL PARK SERVICE—HISTORIC PRESERVATION PROGRAMS

Historic Preservation Fund.—This program is funded from Federal revenues from outer continental shelf leasing. Established by the National Historic Preservation Act, the fund is currently authorized at $150 million annually through fiscal 1987. (Unappropriated balances remain available indefinitely.) It provides matching funds for State historic preservation activities and for the National Trust for Historic Preservation, a Congressionally chartered private, nonprofit corporation. Of the State funds, at least 10 percent must be transferred to certified local governments pursuant to the National Historic Preservation Act.

As in the past five years, the Administration is requesting no funds for this program in fiscal year 1987. By comparison, Congress appropriated $24,795,000 for the fund in fiscal 1986; of this amount $20,411,000 was for grants to the States and $4,384,000 to the National Trust for Historic Preservation.

The Administration is also requesting a rescission of 79 percent of the amount appropriated for the fund for fiscal 1986—leaving only $4,286,000 available for all 57 States and territories and $920,000 for the National Trust. The rescission request was submitted by the President on February 5 but will not take effect unless Congress approves it within 45 legislative days (April 14, 1986).

The Commission strongly rejects the Administration's efforts to terminate this program. As was pointed out at the Subcommittee's hearings, the historic preservation fund is not the usual type of grants program directed only at specific projects. In the case of the States preservation offices, the funds are matched and used to program the full range of tasks necessary to carry out the national historic preservation program. Although the method for funding the program is by grants-in-aid, the Federal government essentially contracts with State offices to carry out the functions of the National Historic Preservation Act in accordance with Federal standards and procedures. Because it is a matching program, the Federal government is the beneficiary of a system by which 50% of the current services are paid for with non-federal funds.

Among other things, the State offices must, on demand, review all requests for certification for the rehabilitation tax incentives program; review all requests for comment and assistance from Federal agencies planning projects in the State; develop comprehensive historic preservation plans tying together all levels of government and the general public; develop Certified Local Government programs and pass through 10% of the Federal share to such governments; conduct surveys to identify historic and prehistoric resources; and nominate eligible properties to the National Register of Historic Places.

Similarly, the National Trust for Historic Preservation carries out a variety of programs pursuant to Federal law. Congress chartered the National Trust in 1949 to further the "national policy to preserve for public use historic sites, buildings and objects of national significance for the inspiration and benefit of the people of the United States" and "to facilitate public participation in" such preservation. (16 U.S.C. 468 and 461 et seq.) The 1949 Act further provides that if the Trust were to be dissolved, title to its properties—such as the Woodrow Wilson House, Montpelier and Decatur House—would become vested in the United States, presumably to be managed by the National Park Service.

The Committee recommends an appropriation of $24,795,000 for the Historic Preservation Fund for fiscal 1987, of which $20,411,000 would be for the States and $4,384,000 for the National Trust. This is the same amount as was appropriated for fiscal 1986. Because of the costly disruptions to the States and the National Trust resulting from the delays caused by the proposed 1986 rescission, the Committee did not include the Gramm-Rudman 4.3% reductions In the recommendation for 1987. The Committee does not agree to the proposed rescission of fiscal 1986 funds and urges the National Park Service to release the money as soon as it is available.

National Register programs.—This activity includes management of the National Register of Historic Places, the nation's official list of historically significant properties. It also includes certification of applications for Federal tax credits for preservation of historic commercial properties; cultural resources management planning; the National Historic Landmarks Program; Historic American Buildings Survey and Historic American Engineering Record; and coordination of Federal archeological programs.

The Administration has requested $6,843,000 and 174 FTE's for the National Register programs in fiscal 1987. This is the same level as the fiscal 1986 appropriations. This includes $1,100,000 and 30 FTE's for maintenance of the National Register of Historic Places; $2,845,000 and 75 FTE's for preservation assistance and certification for tax benefits; $566,000 and 19 FTE's for standards and cultural resources management planning; $1,392,000 and 23 FTE's for archeological resources management; $866,000 and 22 FTE's for the historic American buildings and engineering surveys; $173,000 and 5 FTE's for status reports and boundary studies of national historic landmarks. The Committee concurs with these requested levels.

Environmental compliance and review.—Included are reviews of impacts of Federal projects on historic resources under the National Environmental Policy Act and comments required on statements prepared pursuant to section 4(f) of the Department of Transportation Act on Federal transportation proposals that would affect historic sites. The total request for fiscal 1987 for this account (which also includes general environmental reviews under NEPA and other Acts) is $400,000 and 8 FTE's, the same level as appropriated for fiscal 1986. The Committee concurs.

Grant administration.—Included is the administration of the Historic Preservation Fund, for which $1,122,000 and 19 FTE's are being requested in fiscal 1987. The Committee concurs.

TRUST TERRITORIES AND MICRONESIAN COMPACT

On January 14, 1986, the Compact of Free Association for the Federated States of Micronesia (FSM) and the Marshall Islands was signed into law (P.L. 99-239). Since the United States Congress had made changes in the original document forwarded to the Congress on March 29, 1984, the two Micronesian governments are currently undertaking both an examination of the changes and a final approval process. Final action is expected to occur by mid-March. If the two governments assent to the amended Compact, as it was signed into law, there are other steps that must be taken by the United States: Congress in Sections 102 and 103 of the statute requires that certain audit, law enforcement and other agreements must be consented to by the two governments. Once the governments have accepted these agreements and details have been worked out, the final results must be forwarded to the Congress. Thereafter the President of the United States can agree to an effective date for the Compact, but such date cannot be earlier than 30 days after the date such agreements are submitted to the Congress (excluding days on which either House of Congress is not in session).

Additionally, United Nations action to terminate the trusteeship of the Trust Territory of the Pacific Islands is expected to be sought this spring. The U.S. government may seek to have termination of the trusteeship and the effective date of the Compact occur simultaneously. Thus with all the various steps to be taken, it will probably be mid-summer before the Compact actually becomes effective in the FSM and the Marshalls.

The likelihood that the effective date will not occur before that time must be kept in mind as we discuss the President's proposed budget request for fiscal 1986 and fiscal 1987, with emphasis on the former year.

FISCAL 1986 SUPPLEMENTAL APPROPRIATIONS

The Administration is seeking a total of $327.470 million in its proposed fiscal 1986 supplemental request to implement the first year of Compact funding. It is telling the Micronesians it is seeking Compact funding "retroactive" to October 1, 1985. However, what this means, upon closer examination, is that of the $327.470 million, it is only requesting $270,943,000 in new budget authority for fiscal 1986 and is seeking the reappropriation of $56,527,000 already appropriated to the two governments for fiscal 1986. (Chart below illustrates how this $56.527 million breaks down.) While it is understandable to this Committee that operations costs should not be duplicated ($49.704 million) and that this money might be reappropriated for Compact purposes, we recommend that the total cost of the other five items ($6.823 million) not be offset against the Compact appropriations.

[In thousands of dollars]

	Marshalls	FSM	Total
Operations	10,941	38,763	49,704
Satellite communications	263	526	789
College of Micronesia	285	952	1,237
Prior service benefits	114	163	277
Capitol improvements	2,712	951	3,663
Enewetak support	857		857
Subtotal			6,823
Total transfer to Compact	15,172	41,355	56,527

Two of the five items listed in the chart, the Prior Service Benefits Program and the Enewetak Support Program, are programs that the Congress, through its approval of H.J. Res. 187 as amended, consider to be ongoing obligations of the United States. Both are continuing responsiblities of the U.S. government. They have been funded by the U.S. government to date and should continue to be funded by the U.S. government for the duration of fiscal 1986, Compact or no Compact. And since both programs were added as entitlements to the Compact legislation before it cleared the Congress, Congress clearly intended for them to be funded in the future under the terms of H.J. Res. 187 and not dumped on the Micronesians. (Because Palau as of now has no approved Compact and is still under the Trust Territory of the Pacific Islands budget in fiscal 1986, its share of Prior Service Benefits in the President's budget has not been offset against the Compact funding for fiscal 1986.)

As for the College of Micronesia, it is struggling to keep afloat without having its money cut in fiscal 1986. Mostly dependent on grants from the Department of the Interior and Pell grants, it cannot thrive and grow if $1.237 million is cut from its fiscal 1986 funding, especially since the Micronesian governments have experienced problems in arranging future funding for the college under the Compact.

The College of Micronesia's Board of Regents recently authorized a spending freeze to cover everything except the most essential items for the balance of this fiscal year because its financial future is so murky at this time. Additionally, the Board requested a summit meeting of the three heads of governments on future college funding under the Compact.

Once the Compact goes into effect, the college will no longer receive the DOI annual grants; and only those students in school on the effective date of the Compact can continue to get Pell grants, and these only until they complete their academic programs for a maximum of four years after the effective date of the Compact. Since the College of Micronesia is only a two-year institution, the Pell grants will run out sooner than they would with those attending four-year institutions.

The capitol improvements appropriations by the Congress for fiscal 1986 were over and above any Administration request. We do not believe that it was intended by either the Congress or the Micronesians that the funding of these necessary projects, such as the Jaluit dock or the planned improvements of the Majuro water system in the Marshalls, was to be subtracted from Compact funding. Likewise, we do not believe the fiscal 1986 appropriations for satellite communications in Micronesia were to be offset against the Compact budget.

Whether viewed as continuing obligations of the United States to the Micronesian governments or as transitional items designed to ease the shifting from TTPI funding to Compact funding, there is no basis for now requiring the Micronesians to assume these financial burdens. We therefore urge the Appropriations Committee to add this $6.823 million to the other funds specified in the fiscal 1986 supplemental budget request.

The other item we propose adding to the President's budget for fiscal 1986 is the $13 million authorized in Sec. 105(j)(2) of P.L. 99-239. According to the langauge in the statute, upon the request of the FSM or Marshalls government, the United States will provide any federal education programs, not to exceed $13 million for the fiscal year in which the Compact becomes effective, that were available to the requesting governments as of January 1, 1985. This funding is to be over and above any other postsecondary education grants provided elsewhere in the Compact. This provision was made in response to testimony from Mr. Claude Phillip, a member of the College of Micronesia's Board of Regents who appeared at a hearing of the Public Lands Subcommittee held on June 28, 1984. Mr. Phillip then stated:

> The board of regents wishes, however, to point out that under the compact, section 216(a) subsection (3) provides a transition period away from reliance under scholarship funding at institutions in the United States, looking toward the College of Micronesia to shoulder the principal burden for postsecondary education. This virtually mandates a crash program to enable the college to discharge that responsibility effectively.
>
> To illustrate the scope of the task, the U.S. Government, the U.S. Department of Education recently provided the college with information showing that in the 1983 to 1984 school year 4,475 Pell grant applicants whose legal residence is the Trust Territory were determined eligible recipients of Pell grants. If each elgible recipient were to receive the maximum, and almost all Micronesian students are eligible for the maximum, the total would be $8.1 million. If you add to that amount the $1.3 million received by the Micronesian students enrolled in the College of Micronesia in Pell grants as well as college work study and supplemental education grant funds, the actual scholarship funding for Micronesian postsecondary students is nearly $10 million per year compared with the $3 million in the compact.

For the same compelling reason, we urge the Appropriations Committee to appropriate up to $13 million to implement this authorization. In making this request, we assume that the Micronesian governments, pursuant to Sec. 105(j)(2) will be requesting this assistance.

FEDERAL GRANTS IN FISCAL 1986

It has been brought to this Committee's attention that an appropriations law for the Department of Health and Human Services, Education, Labor and related agencies (P.L. 99-178) stipulates that all federal grants from these departments and agencies currently being provided to the Micronesian governments shall be terminated once the Compact is "enacted". While it is true that the Compact legislation was signed into law on January 14, 1986, the actual date when the Compact funding will go into effect and be available to these governments is unknown at this time. As we estimated earlier in this report, it may well be mid-summer before the effective date occurs and before Compact funding is available.

The financial chaos and the toll in terms of non-delivery of needed services in the FSM and the Marshals that will take place should there be any gap in funding between the end of federal grants and the beginning of Compact funding cannot be overstated. Not only will vitally needed programs, such as the Public Health Service's Maternal and Child Health Assistance (so critical to mothers and children in Micronesia) be abruptly ended, resulting in great hardship among the Micronesians: in addition, these governments which are generally required by the U.S. government to see that certain types of employees are on the payroll to handle specific federal grants will be left to absorb the costs of the salaries of these individuals, even though the grant programs have ended. Neither of these governments is in a position to compensate for the end of these grants before they are in receipt of Compact funds.

We understand that the order has already been given to end the grants and that the process is underway. We urge the Appropriations Committees to contact the solicitors or general counsels of the affected departments and agencies regarding this matter. The solicitors or general counsels should be exhorted to make an immediate determination as to whether or not the fact that the Compact approval resolution (P.L. 99-239) became law on January 14, 1986, and therefore on a later date than the appropriations law in question, means that P.L. 99-239 actually supersedes the appropriations law and therefore negates the effect of the latter. If such administrative steps cannot prevent this catastrophe from occurring, we urge the Appropriations Committee to take some kind of action now to see that the federal grants continue uninterrupted until the Compact funding is underway.

This kind of disruption is certainly nothing that either the Congress or the Micronesian governments ever expected when they negotiated the Compacts and it is imperative that the problem be addressed at once. Since there is simply no way to accurately predict when the Compact funding will finally be available to the two governments, any steps to prematurely end the distribution of federal grant monies to these Micronesian entities must be avoided, and actions taken as may be needed to prevent the disruption.

FISCAL 1987 BUDGET

The Administration is seeking a total of $13.05 million in fiscal 1987 for remaining areas and activities of the Trust Territory of the Pacific Islands. This will provide $2.5 million for operations of the High Commissioner's Office and the Trust Territory government and $10.6 million for the operations of the government of Palau. Since Palau's Compact has not yet been approved by the U.S. Congress, it still falls under the existing TTPI authorization, rather than under any Compact funding.

Additionally, the proposed budget request seeks $144.270 million in second year funding for the Compact. This brings the President's proposed budget request for Micronesia to $157.320 million in fiscal 1987.

TTPI IN FY 1987

The Committee recommends a total of $7.720 million in additional funding for the Trust Territory of the Pacific Islands (TTPI) in fiscal 1987. This total would cover $2.6 million for capitol construction in Palau, $5 million for the second and last installment for the building of a new hospital, and $120,000 for two coral air strips on two outer islands of Palau.

Back in the 1970s, representatives of the executive branch of the U.S. government made a commitment to the Micronesian governments that the United States would provide to the three (the Federated States of Micronesia, the Marshall Islands and Palau) the money to build their own capitol buildings. A sum of $21.08 million was the total promised. Of this $14.24 million has yet to be provided. There is no specific provision in the Compact for capitol construction, and the Administration did not include any funds for this in the budget request. We believe these funds should be made available by the Congress without further delay.

Therefore, we are asking that the additional $2.6 million promised Palau for its capitol be added to the TTPI budget for fiscal 1987. To the Compact budget for fiscal 1987 we are requesting that $11.6 million be added, $9.0 million for the FSM and $2.6 million for the Marshall Islands. This is discussed further below.

In fiscal 1986, the U.S. Congress appropriated some $4.97 million for the first phase of construction of new hospital facilities in Palau. Another $5 million is expected by the Palauans. The Appropriations Committees have already recognized the need for Palau to improve its health care delivery, as indicated by the July 16, 1985, Report of the House Appropriations Committee (H. Rep. 99-205), page 54, which states as follows:

> While the Committee intends to provide the balance of the funding needed to complete the facility in future years, the Committee expects that every effort will be made to control the total costs of the project.

It is difficult, undoubtedly, for the Palau government to undertake to contract for the construction of the new hospital wing without having in hand the rest of the funding. However, we do think it is important that they get the project underway.

The final additional request for Palau is for $120,000 to build two coral air strips on the outer islands of Sonsorol and Merir. We made this request in our budget recommendations for fiscal 1986. The money, requested by the government of Palau in 1985 and again at the Public Lands Subcommittee oversight budget hearing of February 7, 1986, would enable the Palau government to construct the air strips in order to make the islands accessible to commuter air service. This would make it possible to provide better health care and medical evacuation in case of an emergency.

COMPACT FUNDING IN FY 1987

Since the President's budget request for Compact funding almost completely ignores the fact that the Compact legislation was before the Congress for some 18 months and underwent numerous changes involving many Congressional Committees, we find it necessary to seek an additional $63.392 million in Compact funding for fiscal 1987, over and above the $144.270 million requested by the President.

ENTITLEMENTS

First of all, we would like to address what the Committee considers to be four entitlements under Public Law 99-239, which the U.S. government has been directed to fund. (See #5, 6, 7, and 8 on chart under Compact funding for fiscal 1987.)

1. *Radiological health care program for victims of U.S. nuclear tests.*—Through the Department of Energy, the United States has been providing special medical care to the remaining Rongelap and Utrik people who were exposed to radioactive fallout from the U.S. 1954 thermonuclear "Bravo" shot. The Committee views this as a continuing responsibility and obligation of the United States government, Compact or no Compact, and as a result caused to be included in Public Law 99-239 a provision committing the U.S. government to directly fund this special health program as it has done for some years.

The responsibility for this lifetime program cannot be delegated to the Marshall Islands government, as the Administration would like to see done. The Marshall Islands government was not responsible for the plight of these people and has neither the expertise nor the designated funding to see that this health care continues. Contrary to what the Administration would have people believe, there is no provision in Section 177 of the Compact that assures that the U.S. will continue to take care of these people as they have been cared for to date. That is why Section 103(h)(1) was added to the Compact legislation and that is why we maintain that the language in the statute guarantees these people that the special medical care and logistical support necessary to provide it continue to be provided directly to them by the U.S. government. For this section, we request $2 million in fiscal 1987.

2. *Agricultural and food programs.*—Section 103(h)(2) of P.L. 99-239 was the second entitlement added to the Compact legislation by the Congress. In the belief that compensation money awarded to any of these nuclear victims should be in addition to basic amounts needed by them to survive, Congress included language in the Act that mandates the President, either through an appropriate department or agency of the United States or by contract with a U.S. firm, to continue to provide certain agricultural assistance and food supplements to the Bikini and Enewetak people, without reimbursement, for five years after the effective date of the Compact. Before the five year period expires, Congress expects to re-examine the food situation as regards these programs and determine if they should be continued and if so, for what period of time.

We are requesting $1.8 million for the operation of this essential program, as described in the statute, in fiscal 1987.

3. *Enjebi Community Trust Fund.*—Under this third entitlement, a trust fund is to be established for the resettlement of Enjebi, the island in the northern part of the Enewetak Atoll. Enjebi was ground zero for many of the nuclear tests conducted by the United States on Enewetak in the 1940s and 1950s. Enjebi, and the nearby islands, are the only part of Enewetak which have not been resettled as part of the cleanup and rehabilitation of the atoll undertaken by the U.S. in the late 1970s. The resettlement of Enjebi has been supported by both the Carter and Reagan Administrations and the various Committees of the U.S. Congress that have been involved in this matter.

To enable the Enjebi people to build housing and whatever else will be needed to establish a community on Enjebi, whenever it is declared safe for the people to resettle the island, we request a one-time appropriation of $10 million to create the necessary and mandated trust fund. This figure reflects the $7.5 million in P.L. 99-239 as well as the other $2.5 million (total of $10 million) that the Committee had originally expected would be in the final fiscal 1986 Interior appropriations act.

4. *Prior Service Benefits Program.*—This fourth entitlement, which we discussed somewhat under the earlier section dealing with the fiscal 1986 supplemental request of the President, stipulates that the responsibility to provide the money to fund this program will continue to be borne by the United States until the program ends. The Appropriations Committees can best decide how this should be done, whether on an annual basis or through the establishment of a trust fund from which payments can continue to be made to the eligible beneficiaries. This program was established within the Social Security system of the Trust Territory of the Pacific Islands for certain employees of the U.S. Navy and the Trust Territory government prior to July 1, 1968. Since there is already $100,000 for this purpose in the fiscal 1987 proposed budget for Palau, we are asking that the Appropriations Committee fund only the remaining $292,000 needed in fiscal 1987 for the other Micronesian beneficiaries.

BIKINI ATOLL CLEANUP

Section 103(1) of Public Law 99-239 was included in the legislation in order to implement the terms of the settlement agreement of March 13, 1985, in the lawsuit entitled "The People of Bikini, et al. v. United States of America, et al.", Civ. No. 85-0425 (D. Ha.).

Despite the fact that the executive branch of the U.S. government signed on this settlement and despite the fact that the Office of Management and Budget was represented on the Interagency Committee that reviewed and agreed to the terms of the settlement, OMB has not seen fit to include any money in the fiscal 1987 budget request that would provide the initial funding for the cleanup of Bikini Atoll.

There should be no further delay in beginning this cleanup. While the Bikini Atoll Rehabilitation Committee, established by Act of Congress, continues to study how to best decontaminate and rehabilitate Bikini Island before it can be resettled, interim steps can and should be taken to establish a base camp on Eneu Island in Bikini Atoll (an island which the scientists have declared to be safe) and to provide logistical support for the cleanup. The Bikinians have been waiting for forty years to return to their homeland. No more years should be lost in beginning the work the United States is legally and morally obligated to perform. For this purpose, we are requesting that $8 million be appropriated in fiscal 1987.

CAPITOL CONSTRUCTION

As was mentioned earlier, the U.S. government made a commitment to the Micronesians in the 1970s that it would provide funding for the three governments (the Federated States of Micronesia, the Marshall Islands and Palau) to build their own capitols. While the executive branch had formerly included the funding in its budget requests, it has failed to do so for the past few fiscal years.

Nevertheless, our responsibility remains. We are therefore asking that the Appropriations Committee include $9.0 million for the Federated States of Micronesia and $2.6 million for the Marshalls. These are the remaining sums due them for the building of these capitols.

MEDICAL REFERRAL DEBTS

Section 105(d)(1) and (2) of Public Law 99-239 provides that the United States shall make available to the governments of the FSM and the Marshalls the money necessary to pay any outstanding debts these governments have incurred in medical referrals prior to September 1, 1985. As best we can determine, from information received from both the Department of the Interior and from some of the Micronesian governments, these unpaid medical referral debts for the FSM and Marshalls, from both military and private hospitals, total around $7 million.

Given their geographical location in the Pacific and the limited degree of medical care sometimes available locally, medical referrals are oftentimes necessary and always costly. This Committee fears that access to the various military and private hospitals and resources utilized by these governments to date could be denied them because of their past debts. We also do not share the belief of some within the Administration who say that the Micronesians should pay these past debts from future Compact funds, since many of these debts were incurred during the trusteeship for reasons above and beyond the control of these Micronesian governments. We therefore urge the Appropriations Committees to fund this item. The new Micronesian governments, which have all been striving in the past few years to cut back where possible on medical referrals and to pay past debts as much a their budgets allow, deserve a clean start in this essential area.

INDEFINITE LAND USE

Section 105(n) of Public Law 99-239 authorizes the United States govenment to pay outstanding obligations for the use of privately owned lands in Micronesia. To date the U.S. government has paid most of the indefinite land use payments owed in Micronesia for the use of private land for public purposes. However, a remainng sum of up to $2 million, we understand, remains to be paid to the FSM and the Marshalls for various lands used by the TTPI government for schools, courthouses, and so forth. Because the trusteeship in coming to an end and the new relationship set forth in the Compact will be beginning, we consider this another one of those obligations that should be fulfilled at the earliest possible opportunity. We therefore ask that $2 million be appropriated for this outstanding debt.

EDUCATION

As we discussed under our fiscal 1986 request, there is a section in Public Law 99-239 that authorizes additional money for education purposes for the first three years of Compact funding. This money is over and above any other education provisions that appear in the statute and is aimed at giving the Micronesians a three-year transitional period before all the federal education programs they were receiving as of January 1, 1985, are terminated. The fact that there will be less funding for education under the Compact, coupled with the fact that public officials in Micronesia are not fully aware of what the impact of the changes wrought by the Compact will be, prompted this Committee to include this provision in the Compact legislation. We ask that $8.7 million be included in the fiscal 1987 budget for this purpose.

COLLEGE OF MICRONESIA

In the mid-1970's Congress approved an authorization for the College of Micronesia to build a new facility. For some years we did not seek funding for this purpose since there seemed to be no conceted effort on the part of the three governments in Micronesia to support a College that would truly be for all Micronesians, rather than just one of the areas of Micronesia. But a few years ago, the presidents of the three governments gathered together for a summit meeting on matters of common interest to them and agreed that a unified College of Micronesia system throughout Micronesia was essential to the growth and development of all three islands groups. All committed their governments to support this regional system and they sought of Congress the funding that would enable them to build a new College campus in Ponape in the FSM, help them relocate and house the nursing school in the Marshalls and enable them to renovate the Micronesian Occupational Center in Palau. In both fiscal 1985 and 1986 our Committee recommended that $10 million be appropriated for these purposes. However, to date, no money has been forthcoming.

Because we believe the future of Micronesia is so dependent on good education and because we believe this is a project worthy of Congressional support, we ask that $10 million be appropriated in fiscal 1987 to enable the Micronesians to update the infrastructure necessary to enable their people to obtain postsecondary educations without great expense and without travelling enormous distances.

COMMUNICABLE DISEASE CONTROL

Public Law 99-239 authorizes funding to be provided to the FSM for the purpose of establishing and continuing programs for the control and prevention of communicable diseases, including (but not limited to) cholera and Hansen's Disease (leprosy). Areas of the FSM in recent years have experienced a cholera epidemic as well as a leprosy epidemic. While the cholera is currently considered under control, there is no evidence that the same can be said for leprosy. At present there is underway a study to determine how widespread the leprosy is so that better methods can be devised to deal with it.

The Dean of the University of Hawaii's Medical School, testifying at an Interior Committee hearing on April 12, 1985, made the following observation:

> The Health of all Micronesians is far below the standards taken for granted in the United States. They are

> beset with preventable diseases which had been brought under control in the United States and Europe by the end of the 19th Century. The resources for health care, disease control and health promotion are mainly appalling, although it is fair to note that recent hospital construction is impressive.

We therefore seek funding of $2 million for this purpose.

BUDGETING PROBLEMS

Problems abound in the Executive Branch regarding proposed budgets for Micronesia because of a number of factors: It seems clear that the State Department and the Office for Micronesian Status Negotiations (OMSN) did not anticipate that the Congress would require Compact funding to be handled through the Department of the Interior. So although Congress did so decide and the statute provides that Interior handle Compact money, the proposed budgets were prepared by State and OMSN with little or no input from Interior. Thus it was most difficult, especially given the compressed timetable the Committee is operating under in budget matters this year, to obtain much in-depth information on the budget from the Interior officials now responsible for it. Information provided in this report represents the best available to us at this time.

Additionally, the role played by State and OMSN has created problems, we believe, for the Interior Department and has made it difficult for them to request funding for specific job slots for their people who will be located in Micronesia to handle such responsibilities as technical assistance.

While it is clear from the language of the statute that Congress intends that the funding to the Micronesian governments flow through the Department of the Interior, we understand that the sentence "Funds appropriated to the Secretary of the Interior pursuant to this paragraph shall not be allocated to other departments or agencies" may be creating some problems not anticipated at the time of its insertion in the legislation. We would not deem it amiss for the House Appropriations Committee, in consultation with the House Interior and Insular Affairs Committee, to review this part of Sec. 105(b)(2) of P.L. 99-239 and to seek to provide clarifying or refining language to provide for a unity of funding while dealing with any problems being experienced within the Executive branch. As long as Congressional intent regarding the role of the Interior Department is not changed or weakened, we would indeed welcome such clarification.

Understandably, there is some confusion among the agencies and departments over the budget situation for Micronesia since two budgets are involved—one for Palau, the remaining Trust Territory of the Pacific Islands and one for the FSM and the Marshalls to be funded under the provisions of the Compact of Free Association as set forth in Public Law 99-239. Earlier we discussed the misunderstanding about when the Compact will actually go into effect, thus making the funding available under its terms. Federal grants are being prematurely cut off for these Micronesian governments. And in other instances, there are undoubtedly agencies and departments that have not sought funding in their fiscal 1987 budget requests for programs under the Compact because they were either not informed that there were provisions affecting their agencies in the statute or because they have been incorrectly informed that there was no need to provide any funding called for in Congressional amendments to the Compact.

For example, Section 105(h), entitled "Continuing Programs and Laws" provides that the programs and services of the Legal Services Corporation, the Public Health Service and the Farmers Home Administration can be made available to residents of Micronesia at no cost to their governments provided their governments and the U.S. agree to this arrangement. Since the Micronesian governments have requested these programs be continued under the Compact, we are confident that they will formally ask that they be provided to them. But given the confusion in the more experienced U.S. government, it must be many times greater in Micronesia, where the governments are new and where the Compact funding will be a totally new experience. Moreover, the governments' requests may be delayed, creating a risk that this may adversely affect their securing funding for these programs in fiscal 1987.

Indeed, it is important to keep in mind the fact that there will be all sorts of inadvertent delays, mistakes, oversights and so forth made because of the new ground that is being broken. Every consideration should be given to include in the fiscal 1987 budgets of the affected agencies and departments all of the needed funding for the continuation of such programs as mentioned above as well as the technical assistance provided for in Section 105(l) of P.L. 99-239, including the continuation of grant programs under the National Historic Preservation Act as called for in the statute. Also, Section 111 of the law stipulates that services and programs of the Federal Deposit Insurance Corporation, Small Business Administration, Economic Development Administration, Job Partnership Training Act, Job Corps, and the programs and services of the Department of Commerce relating to tourism and to marine resource development shall be made available to these governments.

It may be necessary, once the dust settles, for the Administration to forward in early fiscal 1987 a supplemental request to provide the Micronesian governments with funding for items that may have not been provided for because of transition problems and possibly to include the funding for DOI employees referred to earlier who would be stationed in Micronesia to perform certain necessary functions. We are confident that the Appropriations Committees will exercise the great patience and understanding that may be required in the months ahead as the Federated States of Micronesia and the Republic of the Marshall Islands assume their new political status as States in Free Association with the United States.

MICRONESIA

[In millions of dollars]

	FY 86 appropriations	President's FY 86 supplemental request	President's FY 87 budget request	Committee recommendation	
				FY 86	FY 87
TTPI	[1] 76.455		13.050		20.770
Compact		270.943	144.270	290.766	207.662

[1] Adjusted to reflect 4.3% cut.

PROPOSED ADD-ONS TO COMPACT/TTPI FUNDING IN FISCAL YEARS 1986 AND 1987

	Fiscal 1986 compact	Fiscal 1987	
		TTPI	Compact
1	$6,823,000		
2	13,000,000		$8,700,000
3		$2,600,000	11,600,000
4			8,000,000
5			1,800,000
6			10,000,000
7			292,000
8			2,000,000
9		5,000,000	
10		120,000	
11			7,000,000
12			2,000,000
13			2,000,000
14			10,000,000
Total	[1] 19,823,000	[2] 7,720,000	[3] 63,392,000

Grand total for fiscal year 1987—$71,112,000.

[1] Fiscal year 1986. [2] TTPI. [3] FSM and Marshalls.

Description of proposed add-ons:

1. Satellite communications, College of Micronesia, Prior Service Benefits Program, Capital Improvement Projects and Enewetak Support *not to be offset* against Compact funding in FY 86 as the administration is proposing be done.

2. P.L. 99–239 authorizes up to $13 million in the first year of Compact funding to be used for *education purposes* in the FSM and Marshalls (over and above what appears elsewhere in compact); and up to $8.7 million in the next fiscal year. (See Sec. 105(j)(2) of law.)

3. *Capitol construction.*—Per U.S. commitment (executive branch pledge to Micronesian governments made in 1970s), U.S. still owes $14.24 million to 3 governments for the building of their capitols, with $9.0 million due the FSM; $2.6 million due the Marshalls; and $2.6 million due Palau. Palau would come under TTPI budget and other two would come under compact funding.

4. *Clean-up for Bikini.*—Start-up funds to establish base camp on Eneu in Bikini Atoll; part of settlement of Bikini lawsuit against U.S. government. Phase 1 of actual cleanup of Bikini.

5. *Agricultural and feeding programs.*—To fund 103(h)(2) which is an entitlement to provide for continuing funding by U.S. of agricultural and feeding programs for Bikini and Enewetak.

6. *Enjebi Community Trust Fund.*—Entitlement to establish trust fund for Enewetak people from Enjebi to build housing, community, etc. whenever it is declared safe for them to return to Enjebi.

7. *Prior Service Benefits Program.*—Entitlement. Since $100,000 is provided for Palau in President's proposed budget request for fiscal 1987, only $292,000 need be added to provide funding for this program for the other Micronesian beneficiaries. (NOTE: Between $8 million and $15 million would be needed to establish trust fund.)

8. *Radiological health care.*—This entitlement is to continue U.S. obligation to fund the radiological health care program conducted by the Dept. of Energy for remaining victims from Rongelap and Utrik who were exposed to radioactive fallout from U.S. 1954 thermonuclear "Bravo" shot in Marshall Islands.

9. Second phase of $5 million is due Palau for its new *hospital.* This comes under TTPI funding since there is yet no approved Compact for Palau.

10. *Other Palau CIP.*—In FY 1986 this committee recommended that $120,000 be appropriated to construct two coral air strips on the two outer islands of Sonsorol and Merir. The Palau government is again seeking funding for this purpose so we are again asking for $120,000.

11. *Medical referral debts.*—Per Sec. 105(d)(1) & (2) of P.L. 99-239, we are seeking this amount to enable governments to pay any medical referral bills incurred before Sept. 1, 1985 and still unpaid. Total is best estimate we could arrive at, given time constraints and distances involved.

12. *Indefinite land use.*—While the U.S. government has paid most of the indefinite land use payments owed in Micronesia, there still remains a sum somewhere around $2 million in outstanding past use payments due those governments. Paying this money would complete this commitment.

13. *Communicable Disease Control Program.*—This would provide $2 million to the FSM government to establish and operate a communicable disease control program to fight cholera, leprosy and other contagious diseases present there.

14. *College of Micronesia.*—This would provide $10 million for the College of Micronesia to be used for construction, renovation and relocation.

RECOMMENDATIONS OF THE SUBCOMMITTEE ON GENERAL OVERSIGHT, NORTHWEST POWER, AND FOREST MANAGEMENT

The Subcommittee on General Oversight, Northwest Power, and Forest Management has reviewed the proposed budgets for the Bonneville Power Administration and the U.S. Forest Service.

BONNEVILLE POWER ADMINISTRATION

Use of BPA's authority to borrow from the U.S. Treasury

The Federal Columbia River Transmission System Act of 1974 authorized the Bonneville Power Administration (BPA) to borrow $1.25 billion from the U.S. Treasury for investment in BPA's Pacific Northwest transmission system. The Pacific Northwest Electric Power Planning and Conservation Act of 1980 (Regional Act) authorized $1.25 billion of authority to borrow for investment in conservation and renewable resources to reduce the overall cost of meeting BPA's contractual power supply obligations. In 1983, BPA received an additional $1.25 billion in transmission borrowing authority.

Through FY 1985, BPA had used $3 billion of this borrowing authority. The U.S. Treasury profits on these transactions, typically charging BPA a 1-3% higher rate of interest than the Treasury's concurrent cost of long-term borrowing. It is BPA customers, primarily the people and businesses of the Pacific Northwest, who pay for BPA's investment in transmission, conservation, and renewable resources. Nevertheless, the proposed budget seeks to reduce BPA's use of its borrowing authority.

Conservation

The Regional Act directs BPA to acquire conservation resources to meet the power requirements of its customers "consistent with the plan" adopted by the Northwest Power Planning Council. To help implement the Council's plan, the Subcommittee last year recommended that BPA during FY 1986 invest $155.8 million in conservation by (1) using $141.3 million of its authority to borrow from the U.S. Treasury and (2) funding an additional $14.5 million out of current revenue. The House and Senate Appropriations Committees in the FY 1986 Energy and Water Development Appropriations conference report agreed that BPA should use $123 million of its conservation borrowing authority. Instead, BPA now plans to invest only $106.8 million in conservation during FY 1986 ($85.5 million borrowed; $21.3 million from revenue) and only $117.5 million during FY 1987 ($86.8 million borrowed; $30.7 million from revenue).

BPA's own extensive analysis of the benefits and costs of pursuing conservation and other resources concluded that additional investment in conservation of $139.2 million during FY 1987 would reduce the overall cost of acquiring resources to meet BPA's contractual obligations. Nevertheless, the proposed budget includes only $117.5 million, with the difference—$21.7 million—described as an "undistributed reduction": "program reductions and slippages due to unidentified delays." The Subcommittee recommends that BPA invest the full $139.2 million. Since BPA has not scheduled a general rate revision until FY 1988, restoring the $21.7 million to conservation efforts will require use of $108.5 in budget authority in FY 1987.

Transmission

BPA has constructed and operates one of the world's largest and most advanced high-voltage transmission systems. For FY 1987, BPA determined that $194.2 million of investment in transmission facilities would be necessary to maintain and upgrade the system, including the replacement of PCB contaminated equipment and reinforcements for enlarging the AC Pacific Intertie by 1600 megawatts. The proposed budget, however, includes only $187.1 million ($170.8 borrowed; $16.3 from revenue), with the difference—$7.1 million—again vaguely described as "undistributed reduction." The overall cost reductions available through improvement of

BPA's transmission system should not be jeopardized by failure to allow BPA to use its borrowing authority for this purpose. Consequently, the Subcommittee recommends $177.9 of borrowing authority for transmission investment.

Repayment

The proposed budget would increase BPA's FY 1987 capital transfers to the U.S. Treasury by 25 percent—from $559.1 million to $698.5 million. This $139.4 million growth in BPA's revenue requirements would result from changing BPA's repayment obligations to include straight-line amortization of the unpaid balance of the original federal investment financed by appropriations. Under the existing system, BPA could wait until the end of the repayment period (50 years for power projects and 35 years for transmission lines) to pay off the principal, as is the case with the typical corporate or government bond. Instead, BPA at the close of FY 1985 had prepaid $868 million to the Treasury.

Changing BPA's repayment obligations years or decades after the federal government took control of the region's valuable hydroelectric resources would be unfair to BPA's customers in the Pacific Northwest and California. In essence, the people agreed to federal development of this resource and to repay the investment over a reasonable period of years. It would be unfair to retroactively change the basis of the federal policies that prevented nonfederal development of the region's highly economical hydropower resource. The Subcommittee thus recommends rejection of the proposal to alter BPA's repayment requirements.

FOREST SERVICE

Introduction

The Subcommittee on General Oversight, Northwest Power, and Forest Management and the Subcommittee on Public Lands held a joint hearing on February 6, 1986 on the fiscal year 1987 budget request and justifications for the U.S. Forest Service. The Subcommittees' joint comments and recommendations on the Forest Service budget are stated below.

The fiscal year 1987 budget request is $1,734,897,000 which represents a decrease of $316,651,000 (15%) from the Fiscal year 1986 appropriations.

The Forest Service is responsible for the management of 191 million acres of forest and rangelands in the United States, Puerto Rico and the Virgin Islands. In addition, it carries out a forest research program designed to improve the management of more than 1.6 billion acres nationwide, and a cooperative State and Private Forestry program that provides technical and financial assistance to improve the management of nonindustrial private forest lands.

The Committee is well aware of the need to reduce the federal budget deficit. Nonetheless, it is not possible to manage adequately 191 million acres of land on a budget subjected to deep cuts without regard to their long-term effects. Nor does the Committee believe it would be wise to sell any of the national forests. On the contrary, the national forests represent a long-term investment in the economic and ecologic health of our nation. They are the principal from which a substantial portion of our national interest is derived.

Further, the Committee reiterates its concern expressed in recent years that the President's budget is skewed in favor of commodity production at the expense of resource protection. Although the continued absence of the 1985 Resource Planning Act Program makes relative comparison between budget items impossible, the trends established in past Presidential requests appear to continue in the FY '87 request. Indeed, it can be argued that Forest Service priorities have not changed substantially since the Arthur Carhart, the agency's recreation engineer, resigned in 1923 in a dispute over the subordinance of recreation to timber and grazing interests. In his resignation letter, Carhart wrote:

> The [Forest] Service is making a mistake trying to approach everything from a board foot angle . . . There will never be sound recreation plans in the National Forests until they are approached strictly from the side of what service they may be to human service rather than how they are going to interfere with cows and conifers.

Therefore, the Committee strongly recommends (1) that the 1985 RPA Program be forwarded to Congress immediately so that this Committee, as well as the Budget and Appropriations Committees, may review and use it in determining and allocating budget priorities; (2) that reductions in the Forest Service budget be neither uniform nor arbitrary, but based on a full consideration of both environmental ~~and economic costs and~~ benefits; and (3) that the following specific recommendations be implemented.

Forest Service-BLM land interchange

One of the major concerns expressed at the hearing was regarding the proposed "interchange" of Forest Service and Bureau of Land Management lands. The proposal, which also surfaced in the President's 1986 budget request, was submitted to the Congress on February 18, 1986.

Forest Service officials testified at the hearing that the latest version of the interchange is scaled down from last year's proposal. It would involve the transfer of 15 million acres from the BLM to the Forest Service, and 10 million acres from the Forest Service to the BLM. The interchange is estimated to cost $14,400,000 to implement over a three-year period. Once fully implemented, Forest Service officials expect the interchange to save $8,400,000 annually.

The Committee intends to review the interchange proposal when it is forwarded to the Congress. However, the Committee recommends that no funds be appropriated for implementation of the interchange, other than those which are necessary to develop the legislation or other material to be submitted to Congress until such time as legislation authorizing the program is enacted by Congress. This recommendation will result in a savings of $5,000,000 over the President's request.

National Forest System

A second concern expressed at the hearing pertained to proposed reductions in the National Forest System budget for such items as

Trail Maintenance, Reforestation and Timber Stand Improvement, and Recreation Use.

As discussed earlier, the Committee does not approve of the disproportionate allocation of scarce Forest Service funds to timber, range and mineral related activities in recent Presidential budget requests, particularly when those allocations are made at the expense of valuable non-commodity resources.

Fighting forest fires

As in previous years, the President's budget requests only $1,000,000 for fighting forest fires. Traditionally, the Forest Service borrows fire fighting funds as needed from other accounts, such as the Knutsen-Vandenberg Trust Fund, and then reimburses those accounts through a supplemental appropriation when actual fire fighting costs are known. In FY '86, $994,000 was appropriated to the Forest Service for fire fighting, but a series of major wildfires in mid-summer resulted in the expenditure of $166,700,000.

The Committee is concerned that the Deficit Control Act will cause tremendous difficulty with this approach because the Act's deficit targets could prevent passage of a supplemental appropriation bill. If this were to occur, the accounts from which fire fighting funds were borrowed would not be reimbursed and important forest management activities, such as reforestation and timber stand improvement, would be preempted. Therefore, the Committee recommends that the Forest Service develop a funding mechanism which ensures that its fire fighting program is adequately funded without jeopardizing other accounts.

Trail maintenance

The President's fiscal year 1987 budget proposes reducing the forest trail maintenance budget to $8,365,000, which is $1,603,000 below the fiscal year 1986 appropriation. This request would allow the Forest Service to maintain only 47,300 miles of the 99,500 mile trail system. Because these funds are used in part to organize a volunteer program that would maintain an additional 10,000 miles of Forest Service trails, it is one of the most cost-effective programs in the Forest Service budget. For example, the fiscal year 1985 trail maintenance budget of $9,256,000 enabled the Forest Service to utilize an additional $13,000,000 in volunteer assistance. Therefore, the Committee recommends funding the trail maintenance program at the fiscal year 1986 level, as reduced by the Deficit Control Act, of $9,539,000. This represents an increase of $1,174,000 over the President's request.

Reforestation and timber stand improvement

The Reforestation and Timber Stand Improvement budget also has been shrinking in recent years. Fiscal year 1987 is no exception as the total budget for these programs drops to $177,533,000, a decrease of $11,599,000 below the 1986 appropriation. While the proposed shift in emphasis from appropriated funds to Knutsen-Vandenberg (K-V) funds in accomplishing reforestation and TSI goals may be desirable, it also raises questions about the way in which a portion of the K-V funds are allocated to general administration activities at the agency. The Subcommittee on General Oversight, Northwest Power and Forest Management began an examination of this issue in 1985 and will continue to exercise its oversight responsibility in the future.

Perhaps most importantly, however, the President's budget proposes to accomplish only 84% of the agency's reforestation needs and 76% of its TSI needs. The Committee remains concerned that this failure of the Forest Service to fully restock its forest lands could result in timber shortages in the long run. As a result, the Committee recommends that the Forest Service take all practicable steps to ensure that the increasing reforestation backlog and current TSI needs do not jeopardize the future productivity of our national forests.

Recreation user fees

The President's budget proposes the enactment legislation to enable collection of greatly increased recreational user fees. The fees would be deposited in a special fund and permanently appropriated to the Forest Service recreation program. In conjunction with this proposal, the President's requests $33,742,000 for recreation use, a $52,037,000 decrease from the fiscal year 1986 appropriation. The proposed reduction would be made up by funds generated from the user fee increase.

Since the Committee has not considered legislation with regard to instituting user fees at facilities that currently do not charge them, or to increasing user fees at facilities that already charge them, it does not think it prudent, particularly in the absence of enabling legislation, to expect $52 million to be collected in time to fully fund the recreation use program in fiscal year 1987. Therefore, the Committee recommends that the recreation use budget be funded at the fiscal year 1986 level. The Committee's recommendation will ensure that the Forest Service has sufficient funding to maintain recreational services until such time as legislation authorizing a user fee program is enacted and an adequate funding base has been developed.

"Below cost" timber sales

The Committee also remains concerned about the economic and environmental implications of "below-cost" timber sales, an issue on which extensive hearings were held in 1985. Although the Timber Sales Administration and Management item in the President's National Forest System budget was reduced by $10,453,000 to reflect a 1.375 billion board foot reduction in the fiscal year 1987 timber sales program, the Committee is disturbed by the allocation of planned timber sale offerings among the various Forest Service regions.

The Forest Service may be becoming more cost-conscious at individual forest and ranger district levels, as reflected in decreased road costs per mile. Yet there is little or no evidence in the budget that the Forest Service is giving any consideration to shifting resources among regions or forests in an effort to improve the receipt/cost ratio of its timber program as a whole.

In fact, the proposed allocation of timber sale goals among the various regions makes it clear that the Forest Service has placed little or no emphasis on shifting resources in the timber sale program from areas with low receipt/cost ratios to areas with higher ratios. This apparent lack of attention to receipt/cost ratios in allocating sales levels comes despite specific direction in the President's message to Congress and supporting documents from the Office of Management and Budget to "limit the costs and future growth of the Forest Service" by "carefully controlling costs, adjusting management procedures and paying close attention to benefit-cost relationships." On the contrary, the proposed timber sale program advocates a general shrinking of the timber program, rather than increasing economic efficiency or increasing the net revenues deposited in the Treasury.

In addition to their direct effect on the deficit, many of the timber sales that have low receipt/cost ratios also have a high ratio of environmental costs to economic benefits. These sales typically involve new roadbuilding into rugged, roadless, high altitude, environmentally sensitive lands that have low-density timber stands, with poor prospects for reforestation and high potential impacts on wildlife and fisheries.

While the primary objective of managing the national forests is not to make money, neither is it to harvest timber without regard to costs—economic or environmental. Given the pressure to reduce the budgets of all federal agencies, it makes sense to allocate program reductions in a manner that will phase out timber sales that have low returns to the treasury and high costs both to the taxpayer and to the environment.

Forest research

Another major issue raised at the hearing concerned the Forest Service Research budget. In particular, questions were raised about the atmospheric deposition, forest insect and disease, forest inventory and analysis, forest products and harvesting, and international forestry research programs.

Atmospheric deposition research

The Committee endorses the priority placed on the atmospheric deposition program. Nevertheless, some projects which have been deemed "low priority" are being cut and other admittedly "high priority" projects are being curtailed. The Committee is particularly concerned that the high elevation study in the Rockies be fully funded. At a July 16, 1985 hearing of the Subcommittee on General Oversight, Northwest Power and Forest Management, the coordinator of the National Atmospheric Deposition Program testified that "in the Rocky Mountains we have an opportunity to prevent a serious deterioration of the environment if we are vigilant in establishing controls as well as designing long-term research and monitoring studies." The Committee supports the continuation of this and other "high priority" research without further delay and recommends that the $400,000 be added to the Research budget to ensure that these projects are not curtailed.

Southern Pine Beetle research

The Committee is disturbed by timber harvesting in designated wilderness areas in an effort to control the southern pine beetle. There is a strong need for additional scientific studies of the effectiveness of harvesting and of other methods to control the spread of southern pine beetles, particularly since the conversion of mixed pine and hardwood stands to even-aged pine monocultures has increased the risk of damage due to such infestations. The Committee recommends that the Forest Service cease timber harvesting in these wilderness areas, and better integrate its pest management programs with its responsibilities under the Wilderness Act by using these areas for: (1) control areas for well-designed studies of the effectiveness of beetle control methods; and (2) test areas for other pine beetle controls methods that would be less destructive of the resources these wilderness areas were established to protect.

Forest Service officials have indicated that their forest insect and disease research priorities are: (a) southern pine beetle management; (b) spruce budworm control; and (c) gypsy moth control. Given this commitment to southern pine beetle research, the budget request of that program ($815,000) is relatively lower than that sought for other insect research programs, in spite of a $59,000 increase over FY '86 funding. Therefore, the Committee recommends that the budget for southern pine beetle research be increased to $1,115,000. This would result in a recommendation of $300,000 above the President's request.

Forest inventory and analysis research

The forest inventory and analysis program is designed to provide comprehensive, continuing information, and analyses of the forest land resources of the United States. In recent years, however, the Forest Service lengthened its forest inventory cycle from 10 years to 14–16 years. Although increased appropriations allowed the program to be returned to a ten-year cycle in FY '86, the agency has once again proposed extending the period between inventories for FY '87. The Committee does not approve of this proposal and recommends that the Forest Service maintain a ten-year forest inventory cycle.

Forest products and harvesting research

Some foresters, and many builders, are increasingly concerned that fast-grown trees yield poor quality lumber which has reduced wood strength and dimensional stability. Some of the research that has been conducted under the Competitive Grants Research Program, a program that has been targeted for elimination in the Presidents' FY '87 budget request, focused on this problem. The Committee believes it is extremely important that this research be continued and, therefore, recommends that $2,000,000 be added to the Forest Products and Harvesting Research budget.

International forestry

Finally, the Committee is extremely interested in a strong international forestry research program. Not only does tropical deforestation lead to a tremendous loss of genetic resources and biological diversity, but its climatological effects could also have a serious adverse effect on own forests. In addition, it is imperative that scientific and technical exchanges with researchers from other nations regarding issues such as the effects of atmospheric deposition and air pollution on forest ecosytems, insect control, and forest utilization, be continued and expanded. As a result, the Committee strongly endorses the proposed increase to $1,015,000 in the cooperative research/technical exchange program.

The funding proposed for technical assistance to developing countries is equally important, however, and the Committee recommends that it be maintained at the FY '86 level of $75,000. International technical assistance in forestry should not have to rely soley on reimbursement from AID, and the Committee encourages the Forest Service to continue this program at its current funding level.

Payments to States

The President's budget again proposes changing from gross to net receipts the basis upon which payments to states are made for timber, grazing, power, mineral and other land use activities on the National Forests. If enacted, such legislation would result in a $224,816,000 (70%) reduction in payments to the States. The Committee is strongly opposed to this proposal because it would devastate local government budgets that are largely dependent on these payments for operating revenues. At the same time, it would eliminate any incentive for forest managers to improve economic efficiency. Rather than alter the payment formula, the Committee believes, as discussed above, that a better approach would be to reduce timber sales, road building, and other activities in areas that have high economic and environmental costs but generate few revenues to the Treasury.

Admiralty Island Land Exchange

A final issue addressed at the hearing pertained to Public Law 99-235, signed into law January 9, 1986, which amended section 504 of the Alaska National Interest Lands Conservation Act to provide that "subject to the availability of necessary apropriations," the Secretary of Agriculture was mandated to undertake negotiations with Shee Atika, Inc., (a corporation formed under the Alaska Native Claims Settlement Act) aimed at securing an agreement that lands owned by Shee Atika on Admiralty Island, Alaska, would not be subject to any harvesting of timber, building of roads, or other activities which would impair the suitability of the lands for possible preservation as wilderness. The lands owned by Shee Atika are an inholding within the Admiralty Island National Monument wilderness. The President's budget request for FY '87 did not include a request for appropriations to implement this provision of law.

The Committee recommends that $1,000,000 be appropriated to the Forest Service to implement this portion of P.L. 99-235. The Committee makes this recommendation because of its strong support for eventual inclusion of the Shee Atika lands within the Admiralty Island National Monument and their designation as wilderness, through a voluntary exchange of lands and other things of value between the United States and Shee Atika, Inc. The Committee notes that discussions aimed at producing such a result through fashioning a legislative exchange acceptable to Shee Atika and other interested parties, took place during the first Session of the current Congress, and encourages all parties to continue those discussions on a priority basis during the present Session.

In making this recommendation, the Committee reemphasizes its position that the provisions of P.L. 99-235 dealing with the subject of negotiations between the United States and Shee Atika are not intended to prejudice the rights of Shee Atika or any other person or group, nor to affect the status or course of any litigation, present or future. The provisions are intended to assist in the negotiations which the Committee hopes will result in mutually-agreed changes in the status of Shee Atika's Admirality Island lands, but the Committee has no intention of altering that status except insofar as Shee Atika may find acceptable and in its best interest.

RECOMMENDATIONS OF THE SUBCOMMITTEE ON WATER AND POWER RESOURCES

The Subcommittee on Water and Power Resources has reviewed the Fiscal Year 1987 budget requests submitted by the Bureau of Reclamation, the Water Resources Division of the U.S. Geological Survey and the Federal power marketing administrations (with the exception of the Bonneville Power Administration). The Subcommittee makes the following recommendations:

Agency	President's request	Subcommittee recommendations
Bureau of Reclamation	$906,383,000	$906,383,000
Power Marketing Administrations:		
Alaska Power Administration	2,881,000	2,881,000
Southwestern Power Administration	25,337,000	25,337,000
Southeastern Power Administration	19,647,000	19,647,000
Western Area Power Administration	240,309,000	240,309,000
U.S. Geologic Survey, Water Resources Division	124,700,000	124,700,000
Total	1,319,257,000	1,319,257,000

The Subcommittee has the following comments in support of the changes recommended in the agency budget requests.

BUREAU OF RECLAMATION

The fiscal year 1987 budget request for the Bureau of Reclamation is $906,383,000. This represents a $141,632,000 increase from the request of last year.

General investigations

The Bureau of Reclamation is requesting a total of $27,820,000 for general investigations. The funds are used to support planning and research activities of the Bureau. Included in the request are four new plan formulation and three new advance planning studies.

The Subcommittee is pleased to note that the four new plan formulations include 50 percent cost-sharing by non-Federal entities. Last year, the Committee approved an amendment to H.R. 6, which was passed in the House, requiring 50 percent cost-sharing for feasibility studies.

The Subcommittee notes that the budget justification describes a recent change in the planning process which was implemented by the Bureau *without the approval of Congress.* Prior to this change, Congressional authorization was required for feasibility level studies, as well as the initiation of construction. The Bureau appears to have unilaterally eliminated the need for Congressional authorization of feasibility level studies.

Under this change, according to the justification, advanced planning—

> . . . studies will be performed on projects that are viable for implementation but require studies toward finalizing a definite plan. Utilizing this process will enable the Bureau of Reclamation to move immediately into preconstruction work with the appropriation of construction funds. It is intended that, once a project is authorized for construction by Congress, all advance planning funds expended will be fully reimbursable to the extent provided by Reclamation law. (Budget Justification, p. 13a)

The Subcommittee notes that this change was made without Congressional approval and serves notice that it will hold hearings on this matter. In the meantime, the Subcommittee observes that the following projects for which advanced planning funds are requested *have not been authorized for construction:*

Project	Total cost (millions)
All American Canal Relocation, CA	$144.0
Central South Dakota Water Supply System, SD	822.2
Colorado Coastal Plains Project, TX	278.9
Lake Andes-Wagner Unit, SD	184.9
Lower Colorado Water Supply Project, CA	.7
Minidoka Project, ID	16.2
Umatilla Basin Project, OR	37.0
Yakima River Basin Enhancement Project, WA	202.0
Total	1,685.9

The Subcommittee notes that $4,800,000 is being requested for the Atomospheric Water Resources Management Program. To date, nearly $120,000,000 has been spent on this program. In light of current budget conditions, the Committee would appreciate substantial additional justification for the continuation of the program.

The Subcommittee recommends that within available funds, $80,000 be appropriated for a study of the problems and needs of the Rio Chama Community Ditch Project between Abiquiu and Hernandez, New Mexico. The purpose of this study is to evaluate the need for diversion dam reconstruction, headgate rehabilitation and channel lining.

Construction

The largest portion of the Bureau's budget request is for construction of water resources projects in the 17 Western States. The request for fiscal year 1987 is $576,759,000 which is a $77,500,000 increase from last year. According to the Bureau, the fiscal year 1987 construction account includes funding for regular project construction ($477,438,000), as well as drainage and minor construction

($36,584,000), rehabilitation and betterment ($3,647,000), safety of dams ($39,605,000), recreation and fish and wildlife facilities ($12,765,000), and preconstruction activities for three projects ($620,000).

The Bureau of Reclamation notes in its budget justifications that nine projects will "require legislation to increase appropriation ceilings before they can be completed as authorized." In addition, the justification notes that "appropriate congressional committees have been advised of the ceiling status for this project. Legislation to provide additional appropriation ceiling will be submitted to Congress."

The Subcommittee notes that last year's report cited this problem and urged the Bureau to promptly send legislation to reformulate these projects or raise the cost ceilings. However, legislation was received to increase the ceiling on only two projects (North Loup and San Luis, CVP).

The Subcommittee reiterates that it views this as a problem which necessitates immediate attention. The Subcommittee again urges the Department to promptly submit the legislation referred to in the budget justification so that cost ceiling authorization legislation can be considered and reported out on a timely basis. Failure to meet the deadline could jeopardize the prompt and expeditious completion of these projects. The Subcommittee is prepared to deal with these legislative proposals as soon as they are submitted for consideration.

The nine projects, the authorization ceiling and the estimated cost to complete are given in the following table.

TABLE 1.—COMPARISON OF COST CEILINGS AND COSTS TO COMPLETE FOR SELECTED BUREAU OF RECLAMATION PROJECTS

	Ceiling	Spent to date	Cost to complete
Auburn-Folsom South Unit, Central Valley Project, California	$1,404.2	$339.6	$2,093.9
Trinity River Restoration Program, Gass Valley Creek Debris Dam, Central Valley Project, California	5.5	1.0	25.0
Oroville-Tonasket Unit, Chief Joseph Dam Project, Washington	70.9	66.8	78.0
Title II, Colorado River Basin Salinity Control Project	290.2	76.1	457.0
Garrison Diversion Unit, North Dakota	1,058.1	267.2	1,402.2
North Loup Division, Nebraska	205.5	179.8	350.9
Colorado River Storage Project	2,188.1	685.8	2,839.3
San Luis Unit, Distribution and Drainage Facilities, CVP, California	235.0	242.0	978.9
Washoe Project, Nevada [1]	190.0	39.6	353.0
Total	5,647.5	1,897.9	8,578.2

[1] 1984 figures.

A major priority for the Subcommittee over the past year has been the problems associated with the contamination of Kesterson Reservior (San Luis Unit, Central Valley Project) by toxic levels of selenium from agricultural drainage water. The Subcommittee notes that the Bureau of Reclamation will have to submit authorization legislation in order to expend funds to insure compliance with the California State Water Resources Control Board order to discontinue use of the reservior by February 1988. The Subcommittee intends to give this legislation prompt consideration as soon as it is received.

The Bureau has requested $11,500,000 for drainage studies under the San Luis Unit, CVP distribution and drainage account. This request is not authorized and the Department has submitted proposed legislation to authorize expenditure of these funds. However, the Subcommittee notes that this legislation has very little support and urges the Department to reconsider the earlier legislation.

The Subcommittee notes that the Bureau of Reclamation will complete studies and investigtions of ditch evaluations along tributaries of the Rio Grande, New Mexico (Rio Grande del Rancho, Rio Chiquito, and Rio Fernando de Taos). The Subcommittee notes that study funds for this work was recommended by the Committee last year. The Subcommittee recommends that within available funds, and subject authorization, $3,250,000 be made available by the Bureau of Reclamation for the necessary rehabilitation of these systems.

Operation and maintenance

The Bureau is requesting $150,000,000 for operation and maintenance activities, an increase of $17,400,000 over last year. These funds, when combined with other revenues, water user fees and advances, will result in a total program of $315,300,000—an increase of $28,200,000 over last year.

The Subcommittee believes this request is sufficient to meet the needs of the program.

Loan program

The Bureau of Reclamation is requesting $39,900,000 for loans under the Small Reclamation Projects Act in FY 1987. These funds, plus $7,000,000 in unobligated carryovers, will mean a total program of $46,900,000. This request will fund continuing work on 16 projects of which 5 are scheduled for completion.

Three new loans will be recommended for initiation in FY 1987. However, according to the President's budget request, these new loans are contingent upon enactment of two amendments to the Small Reclamation Project Act. First, the authorization ceiling for the Act must be raised above its present $600,000,000 level. Second, the Administration proposes amending the Act to require repayment of irrigation project loans at the current Treasury interest rates plus one-eighth of a percentage point for administrative costs. Current policy provides for interest-free loans on irrigation loans. The three new loans included in the budget request and affected by this legislation are: Middle Creek Dam Rehabilitation Project, MT; San Bernardino County Project, CA; and, United Water Conservation District, CA.

The Subcommittee held a hearing during the last year on legislation to increase the cost ceiling by $600,000,000 (H.R. 2025). The Subcommittee would like to complete consideration of this legislation, as well as the new proposal by the Administration, this session. Therefore, the Subcommittee urges the Department to submit their new proposal quickly so that the new loans can be considered in this year's appropriations bill.

General provisions

The Bureau is requesting language to appropriate $6 million to a working capital fund to be operated through charges to beneficiaries for reimbursed direct costs. The fund would be used for computer services, core sampling and drilling, and training programs. The Subcommittee notes that language to authorize the Fund was included in Section 205 of the General Provisions of the 1986 Energy and Water Development Appropriations Act. A $6,400,000 appropriation is requested in FY 1987 to continue this fund. The Subcommittee believes that the Department should submit separate legislation to the Congress to establish the Fund. The Subcommittee urges the Department to submit this legislation promptly.

Other accounts

The Bureau of Reclamation has also requested $1,000,000 for the emergency fund, $51,200,000 for general administrative expenses, $52,913,000 for the Colorado River Dam Fund, and $350,000 for permanent appropriations.

The Subcommittee recommends no changes in these accounts.

WATER RESOURCES DIVISION, U.S. GEOLOGICAL SURVEY

The request for the Water Resources Division (WRD) of the U.S. Geological Survey is $124,700,000. This request represents a $16,000,000 reduction from the appropriations enacted in fiscal year 1986.

The WRD has the principal responsibility for appraising the Nation's water resources and for providing hydrologic information. To accomplish this goal, the WRD conducts a program of surveys, investigations and research on the Nation's ground and surface waters. These activities are accomplished using regular appropriations, funds provided by State and local governments, and grants authorized under the Water Resources Research Act of 1984.

The Subcommittee is pleased to see that $3,000,000 has been requested for the National Water Quality Assessment Program. The budget request represents a $515,000 increase above last year's request. The National Water Quality Assessment Program assesses the quality of the Nation's groundwater and surface water resources, and depicts trends in water quality. This program could play an important role in improved information for water quality programs throughout the Federal government.

The FY 1987 request for the cooperative research program is a reduction of $2,200,000—down to $50,500,000. This reduction will be achieved by across the board reductions in data collection efforts at nearly 1,000 locations. The Subcommittee recognizes the need for budget restraint; however, it is concerned that a reduction in this program could hamper water quantity and quality information gathering efforts nationwide. The Subcommittee intends to examine the impacts of this proposed reduction during hearings on groundwater research later this year.

The budget also contains reductions in the State institute and water research grant programs. The State water research institutes are located at land grant universities in 54 states and territories. The program funding level proposed for FY 1987 is $5,153,000, a reduction of $1,283,000 from last year. The grant program was established in the Water Resources Research Act of 1984 to examine major water resource problems in a wide variety of areas. The FY 1987 budget request will reduce this program by nearly 50 percent (from $4,981,000 in FY 1986 to $2,970,000 in FY 1987). AT the reduced level of funding, approximately 20 research projects would be funded, a reduction of about 30 projects from last year's level.

The Subcommittee notes that the State institute and research grants programs have been the subject of controversy over the past decade. The Congress has continued to support these programs despite efforts by the Administration to eliminate them. While the funding reductions are regrettable, the Subcommittee does applaud the Administration for continuing the program, even at a reduced level. The Subcommittee will carefully monitor the impact of these reductions on efforts to improve water research.

POWER MARKETING ADMINISTRATIONS

The President's budget contains two initiatives which would significantly alter policies involving the power marketing administrations. First, the budget recommends the sale of the PMA's. Second, the budget recommends that repayment of the cost of PMA facilities be handled on a straight-line amortization basis. These two initiatives, as well as the budget requests of the individual PMA's, are discussed below:

Sale of the Power Marketing Administrations

The Administration's proposal to "privatize" all five power marketing administrations is based in the following justification: The Administration states in its budget that "utilities are not normally a Federal responsibility, and non-Federal owners can operate the PMA's as effectively, or more efficiently, than the Federal Government." The Administration maintains that the PMA's have not repaid the $15.6 billion Federal investment in their facilities on a timely basis. In addition the budget states that the PMA's sell power so "cheaply" they must turn away new customers and ration power among existing customers.

According to the budget, the Administration will pursue the sales in an "open process" guided by the following principles: "(1) seek a fair return to the Federal taxpayers from the privatization of these assets, (2) recognize the benefits currently enjoyed by existing customers, and (3) recognize and provide appropriate protections for the personnel benefits of Federal employees."

The Administration assumes that negotiations will begin this year and sale of the Bonneville and Southwestern Power Administrations will take place in 1988. The other three PMA's would be sold between 1988 and 1991. Proceeds from the sale of the five PMA's will be received over a number of years with an initial bedget savings of $1.6 billion in 1988. The total anticipated revenue derived from the sale of all five PMA's would be $12.7 billion through 1991.

The Subcommittee is very concerned about the proposal to sell the power marketing administrations. Since the specifics of the proposed sales are not available, it is impossible for the Subcommittee to take a final position at this time.

Hearings before the Subcommittee revealed that the Administration does not intend legislation to implement the sales within the next year. It appears the Administration's present plans are to first negotiate the sale of the individual power marketing administrations. After these negotiations are completed, the Administration would come to the Congress with a legislative proposal. This approach is not likely to prove acceptance to the Subcommittee. The question of whether to sell all or even a portion of the power marketing administrations is a sensitive issue. It involves difficult choices about the future of public resources.

Accordingly, the Subcommittee recommends that proceeds from the sale of the power marketing administration not be included in the budget assumption for FY 1987 and the out-years. In addition, the Subcommittee gives notice that it expects any serious negotiations for the sale of any power marketing administration to be authorized by Congress.

Straight-line amortization

The Administration has also proposed modifying the PMA capital investment repayment practices.

At the present time, repayment of the capital costs of generation and transmission facilities, as well as irrigation assistance, is handled on a project-by-project basis. In most cases, costs of the generation and transmission facilities must be repaid within fifty years, at the interest existing at the time of authorization of the project. In those instances where the PMA's repay a portion of irrigation costs, it is repaid after the other project costs are repaid because it is non-interest bearing.

Last year, the Administration proposed that all outstanding debt—including that for generation facilities and irrigation assistance—be carried at today's interest rate (near 10½ percent). In addition, repayment would have to have been made on a straight-line basis. The Congress took no action on this proposal last year.

This year, the Administration has proposed that repayment of the unpaid balance of the original investment for generation and transmission facilities must be repaid at a level not less than would be required under a fixed, straight-line amortization schedule. Unlike last year, however, this debt would continue to be repaid at the original interest rate. If for some reason (e.g. drought) there are insufficient revenues to meet repayment obligations, repayment could be deferred. However, current interest rates would be assessed against those deferred payments. The Administration's proposal would not apply to irrigation assistance.

The Administration estimates this proposal will result in additional collections of $162,000,000 in FY 1987; no estimates have been provided for the out-years. (By comparison, last year's proposal would have raised $902,000,000 in the first year.) the Administration's proposal would impact each PMA differently. Rough estimates are that the Alaska Power Administration would be required to increase its rates by over $700,000; Southeastern by approximately $12,000,000; Southwestern by approximately $9,000,000; and, the Western Area's rates would decrease by approximately $3,000,000. (However, the impact on the various projects within the WAPA service area would vary greatly. The impact would vary from a $19,000,000 increase at one project to a $32,000,000 decrease at another.)

Once again, the Subcommittee is not in a position to take a final position on this proposal because specifics were not available at the hearings. However, the Subcommittee is concerned that this is a hastily developed proposal designed to raise revenues based on the thinnest of justifications.

Any proposal to change the manner in which these costs are repaid must be made only after enactment of appropriate authorizing legislation. If the Administration would like to implement this initiative in FY 1987, it should promptly submit such legislation. The Subcommittee can insure that this legislation would receive expeditious consideration.

Therefore, pending receipt of proposed legislation, the Subcommittee recommends that proposed revenues from this initiative not be included in the budget assumptions for FY 1987 and the outyears.

Western Area Power Administration (WAPA)

The FY 1987 budget request for the Western Area Power Administration is $240,300,000 which represents a net increase of $14,000,000 over last year. These funds will be used for the operation, maintenance, construction, and rehabilitation of WAPA's power transmission system which is located in 15 Western States.

The Subcommittee recommends no change in the appropriations for WAPA in FY 1987. However, the Subcommittee is concerned that the budget is premised on overly optimistic assumptions about revenues and unobligated carryovers. Based on these assumptions, the budget request includes a $43,500,000 offset. If these optimistic assumptions do not prove correct, WAPA will be forced to hastily submit a supplemental appropriation request, or take unnecessary program reductions. The Subcommittee urges the Appropriations Committee to carefully consider the assumptions behind this offset when it holds hearings on the WAPA budget.

Southwestern Power Administration (SWPA)

The FY 1987 request for Southwestern Power Administration is $25,300,000, a decrease of $3,600,000 from last year. The SWPA markets the power and energy generated at Corps of Engineers facilities in Kansas, Oklahoma, Texas, Missouri, Arkansas and Louisiana. The power is produced at 23 hydro projects for sale to preference customers. SWPA operates and maintains transmission lines, substations, switching stations, and other facilities for transmission in the six-state area.

The Subcommittee recommends no change in the SWPA budget request for FY 1987. As in the case of WAPA, the Subcommittee is concerned that the budget request is premised on overly optimistic assumptions. The budget assumes that prior year funds will be available to fund $13,000,000 of the agency's $38,500,000 in costs during FY 1987. The justification for this assumption appears questionable and the Subcommittee urges the Appropriations Committee to carefully consider this item.

Southeastern Power Administrations (SEPA)

The Southeastern Power Administration markets the power generated from 22 Corps of Engineers hydroelectric facilities to preference customers throughout the Southeastern States. SEPA markets its power under 300 separate contracts and has over 500 preference customers. SEPA does not operate or maintain transmission or other facilities; all its power is transmitted over non-federal facilities.

The SEPA budget request for FY 1987 is $19,600,000 which represents a $4,900,000 increase over the request for last year. The major increase (approximately $6,800,000) is required to pay wheeling costs for transmission of power. The budget also assumes a $2,000,000 deferral of previously appropriated funds.

The Subcommittee believes the amount requested for SEPA is sufficient to meet program requirements and recommends no change.

Alaska Power Administration (APA)

The Alaska Power Administration is responsible for generation, transmission and marketing of power from two Federal hydroelectric projects in Alaska. The projects are the 30,000-kW Eklutna Project near Anchorage and the 47,000-kW Snettisham Project near Juneau. Power generated at these sites is marketed by APA to five Alaskan utilities.

Last year, the Administration assumed APA would be sold to the State of Alaska, and therefore did not make a budget request. The Administration now anticipates sale of APA sometime between 1988 and 1991. Accordingly, the Administration is requesting an appropriation $2,900,000 for FY 1987, a decrease of $300,000 over last year. This request reflects a $566,000 increase in operation and maintenance costs, offset by a $400,000 deferral.

The Subcommittee believes the requested appropriation is sufficient to meet the needs of the agency for FY 1987.

FISCAL YEAR 1987 BUDGET RECOMMENDATIONS SUBCOMMITTEE ON MINING AND NATURAL RESOURCES

The Subcommittee on Mining and Natural Resources conducted an oversight hearing on February 20, 1986, on the fiscal year 1987 budget requests and justifications of the Bureau of Mines, the U.S. Geological Survey and the Minerals Management Service. The Subcommittee's comments and recommendations for each agency are stated below.

Bureau of Mines

The mission of the Bureau of Mines is to help ensure the Nation has an adequate and dependable supply of minerals for economic, security and other needs. Research is conducted to provide the technology for the extraction, processing, use and recycling of the Nation's mineral resources at acceptable social, environmental and economic costs. The Bureau also collects, analyzes and publishes statistical and economic information on mineral resources.

The fiscal year 1987 budget request for the Bureau of Mines is $107,100,000 (Mines and Minerals) which represents a 16% decrease amounting to $20,611,000 from the fiscal year 1986 adjusted appropriation of $127,711,000.

The major budget activities of the Bureau of Mines are Minerals Research, Minerals Information and Analysis, and the Mineral Institutes. For fiscal year 1987, the Bureau proposes a 19% reduction in the Mineral Research activity and a 4% reduction in the Minerals Information and Analysis activity from the fiscal year 1986 adjusted appropriation levels and a zero budget for Mineral Institutes.

The Subcommittee recognizes the drastic constraints being imposed on federal spending. Under such circumstances, the Subcommittee finds that activities of the Bureau of Mines concerning the health and safety of the Nation's mining workforce, increased efficiencies and productivity in coal and mineral extraction and the mitigation of adverse environmental effects of mining should, and must, take priority over all other Bureau programs.

In this respect, the Subcommittee recommends conservative increases from the fiscal year 1987 budget request only in the areas of Health and Safety Technology, Mining Technology and Mineral Institutes. A full justification of these recommended increases follows in the discussion of these budget activities. The Subcommittee believes increases in these areas should be effected even at the expense, if necessary, of other Bureau programs for which the Subcommittee recommendation is the same level as that in the budget request.

The Subcommittee recommends that a total of $128,805,000 (Mines and Minerals) be budgeted for the Bureau of Mines for fiscal year 1987. This is an increase of $1,094,000 over the fiscal year 1986 adjusted appropriation and an increase of $21,705,000 over the fiscal year 1987 budget request.

The following areas are of specific concern and are those where the Subcommittee recommends increased budget authority:

(1) Within the Minerals Research activity, the budget request for the Health and Safety Technology subactivity is $26.121 million for fiscal year 1987, a decrease of $6.051 million from the fiscal year 1986 adjusted appropriation of $32.172 million. Funded under this subactivity are the Health Engineering Technology and Safety Hazard Reduction programs.

The basic health and safety research undertaken in this subactivity contributes technology to improve the working conditions of miners and to eliminate the hazards associated with the dangerous occupation of mining coal and other minerals. The Subcommittee is concerned with how the proposed 19 percent reduction in the Bureau's Health and Safety Technology subactivity will affect the Nation's mining workforce. In 1985, the leading cause of coal miner deaths were roof and wall falls in underground mines with the next largest category of fatalities involving the haulage of persons or materials. Meanwhile, over one-half million miners suffer from the crippling effects of black lung disease. Since 1970, outlays for black lung benefits have exceeded $17 billion. Clearly, federal efforts to mitigate these situations are appropriate and should be accelerated.

The Bureau has consolidated a number of Safety Hazard Reduction program elements into a new Mine Disaster Prevention element which should lead to a more effective research effort to minimize the impact of mine disasters.

Perhaps the greatest challenge facing the Bureau in this area is the successful design of a smaller, lighter weight, self-contained-self-rescuer unit that is belt wearable to replace the existing heavy and bulky units which cannot be carried on the miner. In this respect, the Bureau should impress upon NIOSH the constraints governing the development of this technology so that realistic standards may be applied.

In the area of ground control, the Subcommittee strongly recommends continued efforts to alleviate rock bursts and coal bump potential in underground mining.

During fiscal years 1985 and 1986, the Generic Center for Respirable Dust has been funded through grants from Health and Safety Technology appropriated monies. The Subcommittee includes this program under this subactivity.

The Subcommittee recommends that $35.714 million be budgeted for the Health and Safety Technology subactivity in fiscal year 1987. This is an increase of $3.543 million over the fiscal year 1986 adjusted appropriation and an increase of $9.593 million over the fiscal year 1987 budget request. Following is a justification for the increase over the budget request:

Justification for Health and Safety Technology increase of $9.593 million over budget request.

Activities where increased funds would be utilized:

Mountain Bumps and Tomography, +$1,750,000.—Continue in-mine evaluation of geological conditions at the Olga Mine in order to predict and avoid bumps in addition to validating fiscal year 1986 laboratory work to develop a computerized detection system.

Fires and Explosions, +$2,000,000.—Conduct large-scale and in-mine trials of prototype detection/suppression systems initiated in fiscal year 1986 with emphasis on early warning detectors and fire suppression systems.

Robotics, +$1,500,000.—Accelerate work initiated in fiscal year 1986 to reduce the exposure of miners to potentially high health and safety risks through the use of robotic techniques.

Post-Disaster, +$1,250,000.—Continue to evaluate and identify deficiencies in self-contained-self-rescuers that have been in use and produce a prototype SCSR that is lighter and smaller so that it is belt wearable.

Health Effects of Diesels, +$41,000,000.—Evaluate the effectiveness of emission control devices for diesels used underground and investigate potential health related problems of new control devices.

Respirable Dust, +$2,093,000.—Continue grant program at the Generic Center for Respirable Dust at West Virginia University and Pennsylvania State University (affiliates are the University of Minnesota and Massachusetts Institute of Technology). The primary goal of this generic center is to reduce the incidence and severity of respirable dust disease through advancement of the fundamental understanding of all aspects of respirable dust associated with mining and milling and the interaction of dust and lungs. The major benefit from the successful completion of this research effort will be a reduction in the incidence and severity of black lung disease.

(2) Within the Minerals Research activity, the budget request for the Mining Technology subactivity is $9.744 million for fiscal year 1987, a decrease of $2.841 million from the fiscal year 1986 adjusted appropriation of $12.587 million.

The two programs under this subactivity are Advanced Mining Technology and Resource Conservation Technology. The Bureau proposes $8.189 million for the Advanced Mining Technology program and $1.555 million for the Resource Conservation Technology program.

Under the Advanced Mining Technologoy program, the Coal Mining Technology element has an important goal efforts to increase the competitiveness of the U.S. coal industry through the development of technologies which aid in productivity.

The Bureau has stated this research program focuses on mining technologies for coal seams that are difficult to mine such as multiple seams in the East and thick seams in the West. The Subcommittee is well aware of the problems associated with mining multiple seams and the loss of recoverable coal resources due to the lack of cost-effective mining technology for these situations. However, the Subcommittee believes that any Bureau effort relating to thick seams is unnecessary at this time.

Last year, the Subcommittee found that approximately 10 mining technology projects transferred several years ago from DOE to the Bureau with an embedded federal cost of over $24 million were on hold at the Bureau due to the lack of funding to complete prototype evaluations. The Subcommittee estimated that only $2.5 million would be required to complete surface and underground testing and evaluations. For fiscal year 1986, the Bureau received approximately $1 million for proof-of-concept validations. With this amount, testing and evaluations will not be completed for all of the projects, and the Subcommittee believes additional budget authority is necessary for proof-of-concept validations so that a full return on the federal investment made to date is realized.

With respect to the Resource Conservation Technology program, the Subcommittee believes that efforts to mitigate the adverse affects of acid mine drainage on surface and groundwater quality and in addressing the problems associated with subsidence should be accelerated.

Acid mine drainage largely from abandoned underground coal mines continues to threaten the integrity of over 5,000 miles of streams and rivers in the Appalachian Region and elsewhere. With respect to drainage from active mine sites, compliance with EPA's national effluent guidelines for pH, manganese and iron especially can often be difficult and extremely costly for the coal mine operator. Technologies to deal with these situations are largely still in the proof-of-concept stage of development although potentially viable commercially acceptable technologies include the Bureau's In-Line Aeration and Treatment System and the use of sphagnum moss bogs. Acid mine drainage prevention technologies, however, are still in their infancy. Overall, the development of long-term and cost-effective approaches to mitigate acid mine drainage continues to be elusive especially for use at abandoned coal mine sites.

Land subsidence caused by abandoned underground coal mines and the increased implementation of long-wall mining systems may affect over 8 million acres, an area one-half the size of West Virginia, largely in the Appalachian Region.

The Subcommittee recommends that $14.244 million be budgeted for the Mining Technology subactivity for fiscal year 1987. This is an increase of $1,659,000 over the fiscal year 1986 adjusted appropriation and an increase of $4.5 million over the fiscal year 1987 budget request for this subactivity. Of the recommended increase over the budget request, $2.5 million is for the Advanced Mining Technology program and $2.0 million for the Resource Conservation Technology program. Following is a justification for the increase over the budget request:

Justification for Mining Technology increase of $4.5 million over budget request.

Activities where increased funds would be utilized:

Proof-of-Concept Validations, +$1,500,000.—Continue evaluation of previously developed prototype mining equipment, such as the umbrella miner for which the government has already expended a considerable amount of funds.

Acid Mine Drainage, +$1,000,000.—Continue work on the adaptation of the In-Line Aeration System to more difficult water conditions and enhance work on the control of acid mine drainage dischages from abandomed mines.

Subsidence, +$1,000,000.—Extend the predictive model for long-wall panels to include southern West Virginia and evaluate subsidence prediction and control for abandoned mines.

Solution Mining, +$1,000,000.—Continue work on proving feasibility of in situ copper mining technology through field demonstration in Arizona.

The Subcommittee concurs with the Subcommittee on Energy and the Environment's proposal to transfer reclamation research activities from the Office of Surface Mining to the Bureau of Mines, which has a greater research orientation and more technical expertise in this area due to its established Resource Conservation Technology program. This program deals with many of the same research issues addressed by the Office of Surface Mining's Abandoned Mine Land Research and Development program. In fact, the Subcommittee notes that 28.7% of the funds approved for fiscal year 1986 AML research proposals are for Bureau of Mines projects.

Prior to the 1982 departmental reorganization, the Bureau of Mines was heavily involved in abandoned coal mine land reclamation research and demonstration projects as well. It should also be noted that in the Department of the Interior appropriation for fiscal year 1982, the Mineral Institutes program was transferred from the Office of Surface Mining to the Bureau of Mines because it was the more appropriate research entity.

The Subcommittee finds that the proposed transfer of Office of Surface Mining reclamation research activities to the Bureau of Mines will compliment the Bureau's current Resource Conservation Technology program, reduce duplicative research activities and create a more efficient and cost-effective mining research effort.

(3) The budget request for the Mineral Institutes activity is zero for fiscal year 1987, a decrease of $7.612 million from the fiscal year 1986 adjusted appropriation.

At present, there are 31 Mineral Institutes located at universities throughout the Nation to which allotment grants are made to support basic research and education in the mineral sciences and engineering fields. In addition, there are five generic mineral technology centers which receive grants to support research in areas of broad applicability to the mineral sector of the economy.

As justification for its request for no funding for this program, the Bureau states that "federal funding for allotment grants does not now have the priority that it had a decade ago" and "because the generic research centers should be supported by industry."

The Subcommittee finds no merit to these contentions and notes they are only slightly less ridiculous than arguments made by the Bureau against the program in the past. The Bureau of Mines has consistently been unable to support reasons for terminating federal support for Mineral Institutes and the generic centers. It should be noted that in 1984, the President signed into law legislation to establish the State Mining and Mineral Resources Research Institute program, P.L. 98–409, which authorized the continuation of federal support for Mineral Institutes and the generic centers for a period of five more fiscal years, and that Congress has consistently appropriated funds for the program.

The Subcommittee recommends that $7.612 million be budgeted for the Mineral Institutes program for fiscal year 1987. Of this amount, $4.425 million is recommended for allotment grants, $2.854 million is recommended for research grants and $333,000 is recommended for administration. This is the same level of budget authority as provided by the fiscal year 1986 adjusted appropriation.

While not recommending an increase from the proposed budget, the Subcommittee notes its concern in the following areas:

(4) Within the Minerals Information and Analysis activity, the budget request for the Land Assessments program is $5.757 million for fiscal year 1987, a 20% decrease amounting to $1.442 million from fiscal year 1986 adjusted appropriation of $7.199 million. The land assessment program is in direct response to more than 30 statutes that require mineral surveys on certain federal lands and is used in arriving at final decisions on public land use. Also, several statutes require recurring mineral surveys of wilderness areas. The Subcommittee is concerned that the proposed decrease will delay assessment information of immediate need and will affect the quality of land use planning.

(5) The Subcommittee commends the Bureau on the work it is conducting in the Federal Land Status program, but is concerned with the proposed "recessing" of studies in certain critical states. It is important that these studies, which inventory federal lands restrictions to mineral exploration and development and evaluate their cumulative impact on future availability of minerals, should be completed promptly so the information can be integrated into land management decisionmaking.

U.S. Geological Survey

The major mission of the Survey is to undertake research, fact-finding and mapping aimed at enlarging the Nation's knowledge of the extent, distribution and character of its natural resources, and of the geologic processes, structures and hazards that affect the development and use of the land and physical environment.

As the Subcommittee does not have jurisdiction over water-related programs of the Survey with the exception of those dealing with energy hydrology and acid rain, of the total budget proposed by the Survey for fiscal year 1986, $281,304,000 comes under the Subcommittee's jurisdiction. This amount is a decrease of $9,022,000 for the fiscal year 1986 adjusted appropriations of $290,326,000 for the National Mapping, Geography and Surveys activity, the Geologic and Mineral Resource Surveys and Mapping activity, the General Administration activity and for the various energy-related hydrology programs and the acid rain program.

The Subcommittee is not recommending changes in the Survey's request.

Several areas are, however, of special concern to the Subcommittee:

(1) Within the Geologic and Mineral Resource Surveys and Mapping activity are the Energy Geologic Surveys including the Coal Investigations program. Despite repeated expressions of concern from this Subcommittee, the Survey continues to deemphasize this program, which includes Coal Resources Investigations and the National Coal Resources Data System.

The data provided by coal investigations on coal quantity and quality assists economists, air pollution control administrators, energy planners and others to make educated determinations on the characteristics of coal that will be available to meet future energy needs. The Survey fails to adequately justify the proposed 23% decrease in this element from 1986 adjusted appropriation level.

(2) Within the Minerals Resource Surveys subactivity of the Geologic nd Mineral Resource Surveys and Maping activity is the National Mineral Resource Assessment Program. This program is a result of restructuring that combined the Alaska, Conterminous States, and Mineral Resources of Public Lands programs, and now contains the Regional Studies and Mineral Resources of Public Lands elements.

The Subcommittee is concerned that the proposed decrease of $3,577,000 from the 1986 adjusted appropriation of $23,784,000, a 15% decrease for the National Mineral Resource Assessment Program, will violate the mandate of several statutes, including the Federal Land Policy and Management Act of 1976 and the Wilderness Act of 1964, which require minerals information and/or surveys on National Forests and Bureau of Land Management (BLM) Wilderness Study Areas.

This work, accomplished under the Mineral Resources of Public Land element, ultimately will include surveys of 10-13 million acres of BLM lands by 1991. The Forest Service program has already completed surveys on 45 million acres through fiscal year 1984. The Subcommittee is concerned, however, with the Geological

Survey's repeated statements that planned workload for the surveys cannot be accomplished with the current funding levels. The importance of timely information provided by these surveys for use in land-use planning for National Forests and BLM Wilderness Study Areas cannot be underestimated.

(3) The Subcommittee commends the Survey for proposing to maintain current levels of funding for the Offshore Geologic Framework program of the Offshore Geologic Survey subactivity. These activities provide a basis for the appraisal of the regional aspects of energy and mineral potential and an understanding of the processes that govern deep sea mineralization. The President's Exclusive Economic Zone proclamation has increased the areas of submerged lands to be studied through this subactivity from about one billion acres to over three billion acres. This area is a potential supply for many strategic and critical minerals that the U.S. is dependent on from unstable foreign supplies, and it is important that the Survey continues these appraisals.

Minerals Management Service

The Minerals Management Service is responsible for offshore minerals leasing and lease management and for the collecton and distribution of mineral revenues from federal onshore and offshore leases. In fiscal year 1987, MMS estimates it will collect $6.6 billion in mineral leasing revenues.

The Subcommittee has jurisdiction over the onshore activities of the MMS. The fiscal year 1987 budget request for the Royalty Management and General Administration activities is $42,709,000 and $24,062,000, respectively, for a total of $66,771,000 which represents an increase of $2,227,000 from the fiscal year 1986 adjusted appropriation of $64,544,000. The Subcommittee recommends that $66,571,000 be budgeted for these activities, a decrease of $200,000 from the fiscal year 1987 budget request and an increase of $2,027,000 from the fiscal year 1986 adjusted appropriation.

The reason for the difference between the budget request and the Subcommittee recommendation is as follows:

The MMS intends to submit to the Congress proposed authorizing language regarding the payment of interest on refunds under the Royalty Management activity. The objective of this proposal is to assure that an equitable payment of interest is made to royalty payors who successfully appeal royalty payment orders and are refunded all or part of the principal paid to and held by the government. Enactment of the proposal would create an Interest on Refunds subactivity under the Royalty Management activity with a budget authority of $200,000 for fiscal year 1987, a figure which MMS uses as an assumption in its budget request. The Subcommittee has not included this assumption in its budget recommendation but intends to give this proposal its careful consideration.

Payments to the States

The MMS is responsible for the collection and distribution to the states of a share of bonuses, royalties and rentals from the leasing of onshore federal mineral resources. Payments to the states in fiscal year 1987 are estimated by MMS to total $550,686,000, a decrease of $23,705,000 from the fiscal year 1986 adjusted appropriation of $574,391,000 which includes $23,895,000 in obligations sequestered by P.L. 99-177 (Gramm-Rudman-Hollings). It should be noted that while this budget authority is reserved from obligation or expenditure during fiscal year 1986 under the law, it is not permanently cancelled.

Included in the MMS payment to the states estimate for fiscal year 1987 is the assumption that its proposal to deduct the cost of federal mineral leasing programs and activities from receipts before revenues are distributed between the states and the Treasury will be enacted. This proposal would reduce the amount paid to the states by $53,462,000.

Since this proposal has not been enacted, the Subcommittee has reinstated $53,462,000 under Payments to the States from Receipts under Mineral Leasing Act. As such, the Subcommittee recommends that $604,148,000 be budgeted for payments to the states.

MMS is requesting a fiscal year 1986 supplemental appropriation of $800,000 and language which would provide for indefinite authority to pay interest from the federal government's share of mineral leasing revenues to the states when payments are unavoidably late. The Subcommittee has not included this amount in its fiscal year 1987 budget recommendation.

RECOMMENDATIONS OF THE SUBCOMMITTEE ON NATIONAL PARKS AND RECREATION

National Park Service

The administration's budget request for the National Park Service is $734 million, a decrease of $165.9 from the fiscal year 1986 appropriation. The National Park Service, which is responsible for the care and management of the National Park System, oversees 337 units in 49 states and several territories, comprising approximately 79 million acres of the most valuable and treasured historical, cultural, natural and scenic resources this country has to offer. In addition, the National Park Service provides a national leadership role in the coordination and enhancement of recreation use and natural and cultural resource management to the Federal, State and local levels. To carry out these important responsibilities, the budget proposal for the National Park Service defers or eliminates several key National Park Service programs and further proposes that several operations programs be cut or eliminated, only to be refunded through revenue generated from an unprecedented recreation fee collection effort.

The Committee does not support the funding priorities set by the administration for the National Park Service. Mindful of the need for fiscal restraint, the Committee believes budget savings can be found without the wholesale reordering or elimination of National Park Service programs and policies as proposed by the administration. A discussion of the specific recommendations of the Committee follows:

SUMMARY OF THE COMMITTEE RECOMMENDATIONS FOR THE NATIONAL PARK SERVICE AND RELATED PROGRAMS

	1986 appropriation	1987 budget request	1987 committee recommendation
Operations	$623,996,000	[1] $596,482,000	$650,000,000
Construction: buildings and utilities	[2] 113,436,000	[2] 29,114,000	60,000,000
Visitor facilities fund	8,500,000	8,500,000	8,500,000
National recreation and preservation	11,029,000	9,547,000	11,000,000
Land acquisition (LWCF):			
NPS	48,400,000	13,000,000	80,000,000
FWS	40,670,000	1,500,000	20,000,000
FS	28,300,000	0	25,000,000
BLM	2,300,000	3,206,000	2,000,000
State grants	50,000,000	2,270,000	35,000,000
Total LWCF	169,670,000	19,976,000	162,000,000

[1] Administration proposes an additional $59 million above requested amount for operations funded from recreation fee collections.
[2] $8.5 million of this total derived from a transfer from the visitor facilities fund.

Operations

Funds from the operations account provide for the primary care, management and public enjoyment of the National Park System. The operations budget rquest for the National Park Service in FY 1987 is $596,482,000. This represents a cut of $27,514,000 from the FY 1986 appropriation. The budget request proposes to make up the cuts and elimination of several operations programs through the creation of a new recreation fee account to either supplement or directly fund these programs. The budget proposal would direct that $59 million in recreation fee increases be credited to the operations account to bring operations funding to a level of $655,482,000.

The National Park Service in testimony before the Committee made a persuasive case for increases in operations funding. The Committee agrees with the need for increased operations funds to protect and manage our valued park resources and recommends $650 million for the operations account, but rejects the administration proposal to fund base park operation programs with increased entrance fees for access to units of the National Park System. The recommended level of funding would restore proposed cuts and provide for modest increases in several important operation programs that the National Park Service has identified. The Committee believes that for the reasons discussed in its recommendations on the entrance fee proposal, that such fee collections would not provide a viable source of funding to meet additional operations needs. The Committee notes that the language in section 4 of the Land and Water Conservation Fund Act provides for all recreation fees collected by an agency be returned to that agency, without prejudice to other appropriations, for operation of the agencies recreation programs. This language was negated by some wording inserted in the 1981 Appropriations Act (P.L. 96-514 94 Stat. 2960) which, while valid at the time, if removed would make $15 million currently held in the special account and the 1986 fee collections (estimated to be about $25 million) available for appropriation to the National Park Service. Accordingly, the Committee recommends that the restraints imposed on fee expenditure by P.L. 96-514 be removed and the funds made available be appropriated to the National Park Service. In addition, the Committee recommends that the administration's request of $75 million for park roads be rejected and that in lieu thereof the necessary additional operation funds be provided to the National Park Service for such important programs as interpretation, maintenance, and cultural and natural resources management.

The Committee is also concerned with a number of priorities the budget request established for operation programs. Hearings held by the Committee last year on air quality in the parks, as well as testimony presented in oversight hearings on the budget, highlighted the need to extend air quality monitoring to the eight Class I parks not presently monitored. The Committee is also concerned with the attempt to eliminate the training program for natural resource managers, scientific review of natural resource programs, wilderness management, report on park resource status and visitor use impact on resources. Funds and personnel for these programs would be available within the Committee's recommendation for the operations account.

Construction

The construction line item consists primarily of funds to rehabilitate park facilities rather than to construct new ones. The FY 1987 proposal is for $29,114,000, or $84,322,000 lesss than the FY 1986 appropriation. With the proposed level of funding, many high priority projects would be further delayed or eliminated. Testimony by the National Park Service placed the backlog of construction projects on the National Park Service's national priority list at $1 billion. Given the need to address the possible health and safety problems evident with many of the projects on the national priority list, the Committee recommends $60 million for the construction account.

Visitor Facilities Fund

$8,500,000 of the administration's FY 1987 construction request for the National Park Service is proposed to be derived from the Visitor Facilities Fund (VFF), a fund set up to collect concessioner fees for the rehabilitation of government-owned concessioner facilities. Sec. 4 of the Visitor Facilities Fund Act (P.L. 97-433) directs that:

> amounts credited to the Fund pursuant to this Act are authorized to be appropriated to the National Park Service, to be made available for expenditure by the (National Park) Foundation to carry out its function under this Act.

The administration has failed to submit legislation to this Committee to amend the requirements of Sec. 4 and allow VFF funds to be transferred to the National Park Service's construction account. The Committee is not convinced that even if such a request were to be made it should be granted. National Park Service documents the Committee has received show the 5 year program set forth by the Act to have been working well. The Committee intends that the $8.5 million request for the VFF be expended pursuant to the

VFF Act and not transferred to the National Park Service's construction account.

Land and Water Conservation Fund

The budget proposal includes a cut of $83 million from the appropriation the National Park Service received in FY 1986 for land acquisition ($48.4 million) and for state grants ($50 million). Only $15,270,000 is being requested for the National Park Service from the LWCF. Of the proposed $15,270,000, $8 million is for land acquisition (court awards and hardship cases), $5 million for related administrative expenses, and $2,270,000 for administrative expenses in closing out state grants awarded in previous FYs. Additionally, the administration has requested rescissions in the FY 1986 appropriation for the National Park Service of $19.3 million for land acquisition and $35.9 million for state grants from the LWCF. Similar deep cuts in LWCF monies are being proposed for other federal agencies. The Fish and Wildlife Service land acquisition program would be reduced from $40,760,000 to $1.5 million, the Forest Service would be cut from $28,300,000 to $3,206,000, and the Bureau of Land Management would receive no land acquisition funds at all.

The fiscal year 1986 budget request for LWCF funds for Federal agencies amounts to a de facto moratorium on land acquisition since the amounts requested provide for only administrative costs, deficiency awards and an extremely limited number of hardship cases. The Committee again rejects this approach to land acquisition policy. The Committee has received extensive testimony and reports on the large backlogs of land acquisition within authorized areas and how delays in completing acquisitions within these areas have meant higher eventual acquisition costs to the Federal government, increased threats from development, and continued hardships for landowners who are willing sellers.

The Committee also rejects the administration's attempt to close out the State Grant program. This program, which provides matching grants to the States for the acquisition and development of parks and recreation facilities, is a vital catalyst in providing a diverse spectrum of recreational opportunities for all of the people of our Nation.

The Committee recommends allocations from the LWCF as follows:

	1986 appropriation	1987 budget request	1987 committee recommendation
Land acquisition (LWCF):			
NPS	$48,400,000	$13,000,000	$80,000,000
FWS	40,670,000	1,500,000	20,000,000
FS	28,300,000	3,206,000	25,000,000
BLM	2,300,000	0	2,000,000
State grants	50,000,000	2,270,000	35,000,000
Total LWCF	169,670,000	19,976,000	162,000,000

National recreation and preservation

For Natural Programs (rivers and trails studies and technical assistance), the budget request is for $541,000. The most significant cut comes from the administration proposal to eliminate the State and local river conservation assistance program, which was appropriated $1,112,000 in FY 1986. The Committee does not agree with the administration proposal to eliminate State and local river conservation assistance. While the Federal role is small in both staff and funding resources, the expertise and planning assistance that the Park Service offers is a catalyst for greater involvement at the State and local level. This program helps identify cost-cutting management strategies and self-sufficiency measures thus minimizing the demand for direct Federal action and expense.

For Recreation programs the administration is requesting $284,000 in FY 1987, a reduction of $343,000 from the FY 1986 appropriation of $627,000. The elimination of funds for new recreation use surveys and the curtailment of the recreation information collection would be a counterproductive effort at a time when the administration needs better information on recreation usage and impacts. The Committee is also concerned with the decreased funding and staff emphasis on Federal surplus property transfers for recreational purposes. Many worthwhile parcels which would be transferred immediately and put to use for recreational purposes at the State and local level would needlessly be delayed.

Recreation user fees

The administration budget proposal relies heavily on a substantial increase in recreation user fees to make up for cuts in operation programs.

The administration recreation fee proposal would: (1) remove the freeze on existing entrance fees; (2) allow Secretarial discretion to impose entrance fees in more park units; (3) take fee collections, which are now deposited in the LWCF, and transfer 80% of the fees to the Park Service operations account and 20% to the General Treasury.

Without any changes in existing law the NPS for FY 1986 expects to collect about $25 million in recreation user fees. For FY 1987 the budget estimates fee collections at approximately $74 million, of which $59 million would be earmarked to the National Park Service's operations account. To achieve the $74 million in fee collections, entrance fees would increase at the 60 park units at which they are currently collected, and would be established in an additional 138 park units. Entrance fee amounts would be either $10, $5 or $3 per vehicle—or $5, $2.50 and $1.50 per person, depending on the National Park Service's classification of the park unit. Additionally, the price of Golden Eagle Passport would increase form $10 to $40, and a one-time charge of $10 would be established for the Golden Age Passport.

While the administration has proposed a greatly expanded recreation fee program in each of its budgets for the last 4 years this is the first time the Committee has been able to get from the National Park Service any details on the proposal. Still, the Committee has yet to receive a formal submission of the administration's legislative package to implement its fee proposal.

In preparing its budget estimates, the Committee received testimony from the National Park Service and public witnesses on the recreation fee proposal. From this testimony, it was obvious that a fee proposal of the magnitude proposed by the administration would have a far-reaching impact on the National Park System. The Committee is troubled by National Park Service estimates of a 20% drop in visitation at park areas where these new and expanded fees would be collected, especially because National Park Service testimony indicated that the National Park Service has not conducted any studies to gauge the social and economic impacts of increased fees such as the reduction in income to small businesses located adjacent to most parks. The Committee is concerned by the administration's attempt to use fee revenue to supplant rather than supplement appropriations to the operation of the National Park System. Further, the administration proposes to use 20% of the fees collected to offset expenditures by other Departments rather than for park purposes.

It is important to note that the administration's fee proposal deals exclusively with entrance fees to get into park areas. The National Park Service already has the authority to implement and adjust user fees for such identifiable benefits as use of developed campgrounds and picnic areas.

It is the Committee's recommendation that the expansion of recreation fees for the National Park Service beyond that already authorized by law be deferred at this time. The lack of a timely submission by the administration of a legislation package on fees, the questionable ability of the Park Service to both collect and spend a fee increase of this magnitude within the coming fiscal year, and the negative impacts on park visitation point to the need for further study and consultation with the administration before embarking on an unprecedented fee collection effort.

REPUBLICAN VIEWS

It is our firm belief that Congress must respond to the need to restrain federal spending as a fundamental aspect of the effort to reduce the national deficit. If we are sincere in our desire to prolong the current economic recovery, then we must make fiscally sound decisions which provide realistic funding levels. Necessarily, these decisions must emphasize the limits of federal spending.

This Committee's recommendations to the Budget Committee for consideration in the formulation of the Fiscal Year 87 budget resolution are the first indicators of the sincerity of our commitment to lower the deficit. The majority of the Committee sanctions a $300 million increase in spending over the proposed budget submitted by the President. We can not concur in such an increase.

The budget recommendations submitted by the President offer a more reasoned approach to current national priorities than those recommended by the majority of this Committee. Although we can not fully endorse all of the specific recommendations submitted by the President and cannot address other federal programs outside of the context of this report, we believe the President's overall proposed budget for Interior Department programs should receive serious consideration by the Budget Committee. Our specific proposed changes to the President's proposed budget are as follows:

REPUBLICAN BUDGET ALTERNATIVE

Summary

The recommendation of the Republican Members of the Committee on Interior and Insular Affairs is to accept the President's budget requests in all areas except where noted below:

Net Change to President's Budget Request

Area of Jurisdiction	*(millions)*
Full Committee:	
Bureau of Indian Affairs (all, except restore Alaska service cuts, less $1.2 billion for BIA Alaska	+$11.7
Indian Health Service (limit I.H.S. reductions to 4% from FY '86)	+88
Insular Affairs (Guam, American Samoa Capital Improvements)	+5.2
2.5 percent across-the-board savings in agency administration	-58
Energy and the Environment:	
All.	
Public Lands:	
All, except $3.4 million to implement interchange	-$.4
General Oversight, Northwest Power and Forest Management:	
All, without assumed increase in revenues from rate reform legislation to be proposed. (BPA).	
Water and Power:	
All, without assumed increase in revenues from rate reform legislation to be proposed.	
Mining and Natural Resources:	
All, except reduce U.S.G.S. by $7.6 million; reduce MMS by $7.6 million; increase Bureau of Mines by $7.6 million; increase Mineral Institutes by $7.6 million; (continues program at current levels).	
Maintain mineral royalty to payments to states at current levels ($53 million to offset reduction to states through coal leasing reform.	
Passage of new Onshore Federal Oil and Gas Leasing System (SIMO–H.R. 1934, reported from Subcommittee)	-40
National Parks and Recreation:	
All, except reduce NPS operations by $50 million increase NPS land acquisition by $25 million	-25
No assumed increase in revenues from proposed recreation user fee.	
Refund of tax receipts to territories	+$21
Add-ons to President's requests	+125.9
Additional savings + new offsetting receipts	-126.4
Total—Republican Recommendation below President's Budget Request	-1.5

MINING AND NATURAL RESOURCES

U.S. GEOLOGICAL SURVEY

In response to the pressing need to reduce the deficit, we as Republicans have worked hard to comply with the President's budget request and the deficit target figures of Gramm-Rudman-Hollings.

The Subcommittee on Mining and Natural Resources does not have jurisdiction over water-related programs of the U.S.G.S. with the exception of those dealing with energy hydrology and acid rain. The budget request for fiscal year 1987 is $281,304,000. It is our belief, the U.S.G.S. can sustain a 2.7% reduction. This is an additional reduction below the fiscal year 1986 adjusted appropriation of $9,022,000. The 2.7% is a reduction of $7,612,000, bringing the fiscal year 1987 budget recommendation to $273,692,000.

BUREAU OF MINES

It is our recommendation to increase the budget authorization for the Bureau of Mines, by $7,612,000. For fiscal year 1987, the Bureau has proposed a 19% reduction in the Mineral Research Activity and a 4% reduction in the Minerals Information and Analysis activity from the fiscal year 1986 adjusted appropriation levels.

The recommendation to increase the funding level for the Bureau of Mines recongnizes the importance of continuing the ongoing research concerning the health and safety of the Nation's mining workforce, increased efficiencies and productivity in coal and mineral extraction. Therefore, the budget recommendation for the Bureau of Mines is *$114,712,000.*

MINERAL INSTITUTES

The fiscal year budget for 1987 does not include funding for the Mineral Institutes. It is our belief, the Mineral Institutes provide a valuable service in conducting an ongoing research program that benefits our domestic mining industry. Therefore, it is our recommendation to fund the Mineral Institutes at *$7,612,000.*

It should be noted that in 1984, the President signed into law legislation to establish the State Mining and Mineral Resources Research Institute support for Mineral Institutes and the generic centers for a period of five more fisal years.

MINERALS MANAGEMENT SERVICE

The Committee has jurisdiction over the onshore activities of the Minerals Management Service (MMS). The President's fiscal year 1987 budget request for the Royalty Management and General Administration activities is $42,709,000 and $24,062,000, respectively, for a total of $66,771,000.

It is our recommendation to reduce the funding for MMS, under the jurisdiction of this Committee, by *$7,612,000.* The new budget authority for MMS would be *$59,159.000.*

PAYMENTS TO THE STATES

Payments to the states in fiscal year 1987 are estimted by MMS to total $550,686,000, a decrease of $23,705,000 from the fiscal year 1986 adjusted appropriation of $574,391,000 which includes $23,8[illegible],000 in obligations sequestered by P.L. 99-177 (Gramm-Rudman-Hollings).

Included in the President's budget proposal for MMS is the assumption that its proposal to deduct the cost of Federal mining leasing program and activities from receipts before revenues are distributed between the states and the Treasury will be enacted. This proposal would reduce the amount paid to the states by *$53,462,000* (to be offset by $51 million in new revenues derived from passage of H.R. 1934, the Mineral Leasing Act amendments of 1986).

It is our position to reject this proposal and reinstate the *$53,462,000* under the Payments to the States from Receipts program. Therefore, the Payments to the States from Receipts is increased to *$604,148,000.*

President's fiscal year 1987	Committee fiscal year 1987	Change fiscal year 1987
$281,304,000 (USGS)	$273,692,000	−$7,612,000
107,100,000 (BofM)	114,712,000	+7,612,000
(0) (Institutes)	7,612,000	+7,612,000
66,771,000 (MMS)	59,179,000	−7,612,000
455,175,000	455,195,000	(0)

GENERAL OVERSIGHT, NORTHWEST POWER AND FOREST MANAGEMENT

We make no judgment on the merits of repayment reform for the Bonneville Power Administration (BPA), since proposed generic legislation for all five power marketing agencies is yet to be finalized by the Administration or received by the Committee. We do concur with the Majority that the assumption of $139 million additional repayment of original investment (over and beyond the nearly $149 million already scheduled) by BPA to the Treasury in FY 1987 is unrealistic due to simple time constraints for getting rate increases through the approval process. We view with favor the repayment efforts since 1984 made by BPA's Administrator Peter Johnson and will take seriously any legislative proposal which would facilitate that continuing effort.

With regard to the Administration's proposed levels of budget authority (which for a self-financing entity such as BPA means borrowing authority) being reduced below what BPA had desired, the Minority understands efforts to restore cuts made and found on the OMB cutting room floor. However, the argument that capital investments deferred mean higher costs over the long term is also true of almost every budget item involving construction or aquisition. We are persuaded that the Administration's budget is not unreasonable given our overall deficit problem.

NATIONAL PARK SERVICE

The Administration's fiscal year 1987 budget request for the National Park Service is $734 million, a reduction of $59 million from the 1986 budget estimate which reflects funding decreases of $39 million due to sequestration under the Gramm-Rudman-Hollings law. The areas of the budget most impacted by this reduction include construction and land acquisition.

As Republican members of the Committee, we primarily concur with the Administration's request. Although we realize the fiscal austerity of the budget proposal, we firmly believe the proposed funding levels will enable the National Park Service to meet its responsibilities with respect to the protection of our nation's most precious natural and cultural resources while providing for their public use and enjoyment. We do, however, recommend a few changes to the budget proposal.

Recreation Fee Proposal

The Administration is proposing legislation to increase existing park entrance fees and establish new entrance fees at several park units. Under the proposal, 80 percent of the fee revenues would be used for park operations and maintenance with the remaining 20 percent to be deposited in the General Treasury Fund. According to current estimates, the recreation fee legislation would increase revenues from $21.3 million in 1986 to $73.8 million in 1987, allowing a $59 million supplement to Park Service operations and maintenance in 1987.

While we feel that some changes to the legislative proposal may be necessary, we support the concept of increased recreation fees for the national park units. Although the additional fees should not be intended as a replacement for necessary funding, even a modest increase in fees would assist in restoring the budget reductions mandated by current fiscal constraints. While we would reserve final judgment on the fee proposal following closer scrutiny and necessary public review, we firmly believe it merits serious consideration by the Committee and would, therefore, encourage the majority to hold public hearings on the proposed legislation.

Operation of the National Park System

The Administration's budget request proposes increased funding above the 1986 level for park operations through the passage of the recreation fee legislation. We feel the additional fee revenues would greatly assist with maintenance, repair and rehabilitation projects which could not be funded within current budget requirements. However, in the event that some form of fee legislation is not enacted, our budget proposal would represent a decrease of $50 million below the Administration's budget assumption. We prefer to apply $25 million of this reduction to the land acquisition account, which we feel is an important budget priority. However, our proposed funding level still results in an increase of approximately $10 million over the Administration's base request of $596.5 million for operations funding. This level of funding represents only a three percent reduction from the 1986 estimate for operations which could certainly be met through administrative cuts without impacting priority programs of the National Park Service.

Operations Funding

	Millions
1986 estimate	$624
1987 request with fee proposal	655
1987 request without fee proposal	595.5
Republican recommendation	605

Land Acquisition

While we support the Administration's continued emphasis on maintaining and rehabilitating existing units of the National Park System rather than acquiring new park land, we believe the budget request for land acquisition is insufficient.

We feel that the current $400+ million backlog of authorized but unfunded, land acquisitions warrants a higher level of funding, particularly to assist in cases where continued delays in acquisition impose a severe hardship on the landowners. Therefore, we recommend an increase of $25 million above the administration's request for National Park Service land acquisition.

Additionally, in view of the current fiscal climate, we would encourage the Park Service to seek innovative alternatives to fee title acquisition to allow for necessary protection of national park lands while reducing land acquisition funding.

The Republican Committee Members are pleased that the majority is attempting to hold the line on Federal spending by recommending a $19 million decrease from fiscal year 1986 funding. However, we do not feel this proposed level of funding, which is a $183 million increase above the Administration's request, demonstrates the fiscal austerity needed to meet the commitment made by Congress and the President to reduce the Federal budget deficit. We firmly believe our budget proposal, which is nearly the same as the Administration's, is the more responsible course to take if we are to achieve the necessary deficit reduction goals.

TERRITORIAL AND INSULAR AFFAIRS

The fiscal year 1987 budget request for the administration of territories is $71,529,000, a $4,930,000 reduction from fiscal year 1986. We firmly agree with the need to meet the deficit-reduction target level for FY 1987. In order to meet the target level and the health and welfare needs of the distant island insular areas, funds have been reprogrammed from the direct spending authority within jurisdiction of the Committee on Interior and Insular Affairs. Accordingly, we recommend that the following critical projects be funded within the Department of the Interior budget for fiscal 1987:

American Samoa

Great progress is being made by the government of American Samoa to prioritize government run operations. One particular successful privatization is the Ronald Reagan Marine Railway. Previously, this operation cost the government of American Samoa, $2 million per year. In the first year of private operation, the Ronald Reagan Marine Railway is expected to produce $50,000 in revenues. We commend Governor Lutali and encourage the expansion of privatization wherever prudent and possible.

The health of the people of American Samoa is primarily delivered through the LBJ Tropical Center. Other health care is provided through clinics in the outer islands and districts. We recommend that $600,000 be devoted for the purchase of medical equipment for the hospital and clinics.

Education is of continuing paramount importance to the territory as one-half of the population is in primary and secondary schools. We recommend increasing the capital improvement funding by $1,320,000 for the construction of additional classrooms and physical education facility at Samoana High School.

To assist in the critical housing shortage facing American Samoa, $980,000 is recommended to be included in FY '87 as a contribution to the islands Development Bank, thus ensuring the continued availability of reasonable rate home loans. The Administration indicated at the FY '87 budget hearing, that the plan regarding housing in the Pacific, which includes American Samoa, Guam and the Northern Mariana Islands, is 95% complete. It is anticipated that this plan will provide recommendations for solutions to the territories' housing problems.

Guam

The Department of the Interior is authorized to pay part of the interest costs above seven percent of the $36 million loan for the Guam Power Authority. Due to Gramm-Rudman, DOI's FY '86 interest payment was short by $347,000. Non-payment of this amount by September 30, 1986, will result in a penalty and additional interest of $13,000 by the time the FY '87 funds are actually issued. We feel it is essential to make good on our commitment to Guam, and therefore recommend increasing the amount of the administration of territories by $360,000.

We recommend that Guam's capital improvements funding be increased by $1,450,000 for the construction of Phase I of a mental health/drug abuse facility. The funds for architectural and engineering (A&E) design for the facility were appropriated in FY '86. The actual A&E work should be done by the end of FY '86. It is appropriate that funds for Phase I of the project be available in FY '87.

Northern Mariana Islands

The President's request of $35,344,000 for FY '87 meets the commitment made with the Northern Mariana Islands in the July, 1985, seven-year funding agreement. This agreement is designed to spur economic development and self-sufficiency by front-loading capital improvement funds while decreasing operating funds throughout the seven-year period.

U.S. Virgin Islands

We concur with the President's request to increase construction grants for water systems in the U.S. Virgin Islands. The water systems need improvement and the $2.9 million designated for this purpose should help resolve the critical water situation in the Virgin Islands.

Office of Territorial and International Affairs

It is clear that the Department of the Interior has established a clear policy regarding the administration of the insular areas. Richard T. Montoya, Assistant Secretary of the Office of Territorial, and International Affairs has specified three priorities of that office regarding the administration of the insular areas. 1. Privatization; 2. Economic Development; 3. Government Efficiency.

These priorities are constantly reflected in the technical assistance provided and budget requests. Further, the fruit of this policy has been manifested in the insular areas with privatization efforts, trade missions and industrial parks, and insular areas' efforts to raise revenues and balance their budgets. We commend the efforts made to consistently followthrough with these policies, and urge that it be continued and expanded.

It is in consideration of the above policies that we recommend that the level of funding for technical assistance for FY '87 be increased from $2.2 million to $2.75 million. Technical assistance is an important tool in spurring economic development and government efficiency.

Fiscal Assistance

The organic acts of Guam and the Virgin Islands, and the Puerto Rican Federal Relations Act provide for the cover-over of taxes collected in these areas into their respective treasuries. Due to Gramm-Rudman, P.L. 99-177, 4.3% of FY '86 taxes for these areas are withheld. As these insular areas are not provided with annual operations funding, the sequestration of funds will disrupt government operations. Therefore, to honor our commitments with the insular areas we recommend the following financial assistance for: Guam, $1,290,000; U.S. Virgin Islands, $6,240,000; Puerto Rico, $13,882,000.

RECAPITULATION OF THE REPUBLICAN VIEWS ON THE FISCAL YEAR 1987 BUDGET REQUEST FOR THE ADMINISTRATION OF TERRITORIES

[Dollars in thousands]

Activity	DOI fiscal year 1987 request	Republican views
1. American Samoa:		
Construction Grants	2,730	2,730
Medical equipment		600
High School		1,320
Home Mortgage		980
Operations	20,776	20,776
Subtotal	23,506	26,406
2. Guam:		
Construction	3,500	3,500
Mental Health Facility—Phase I		1,450
Subtotal	3,500	4,950
3. U.S. Virgin Islands:		
Construction—grants	2,900	2,900
Subtotal	2,900	2,900
4. Northern Mariana Islands:		
Covenant Grants	35,344	35,344
Other Construction Grants		
Subtotal	35,344	35,344
5. Territorial Administration:		
OTIA	2,473	2,473
Technical Assistance	2,200	2,750
Guam Power Authority		
Loan Assistance	1,606	1,966
Subtotal	6,279	7,189
Total	71,529	76,729
Add on		+5,200
Fiscal year 1986 enacted to date—76,459	−4,930	+330

INDIAN AFFAIRS

The Committee has jurisdiction over most Indian programs of the Federal government. Within that jurisdiction the Administration's FY 1987 budget proposes a reduction of over $200 million, or approximately 12.5%. This reduction follows a steady reduction in Indian appropriations in previous years. We believe that the Federal government has made a government-to-government commitment to Indian tribes. Therefore, we recommend a partial restoration of funding requests to that of $813,993 million for the Indian Health Service and $692.841 million for those Bureau of Indian Affairs programs within this Committee's jurisdiction. This actually represents a 4% decrease for IHS and a 6.5% decrease in funding from final FY 1986.

Bureau of Indian Affairs (BIA)

In FY 1986 several one-time appropriations were made including emergency feed hay ($5.8 million), payment to the Alaska Native Escrow Account (7.4 million) and BIA housing for the Navajo-Hopi Relocation ($22.4 million). While some programs suffered to allow these approriations, we beleive that reductions in these areas can be made. The $692,841 million that we recommend is $11,796 million over the Administration's request and $48,249 million below FY 1986. This represents a restoration of Alaska program cuts ($11.2 milion), allowance of new HIP housing ($1 million), continued construction of Navajo Indian Irrigation Project ($1 million), and a reduction in administrative expenses within the BIA by mandating a 2% cut at the Central and Area Offices, not to be passed on to the Agency or tribal level.

While we are concerned about reservation economies, we are troubled by the proposed increase in economic development grants to individuals in the FY 87 BIA budget justification. The Federal governemnt's relationship has traditionally and constitutionally been with Indian tribes on a government-to-government basis, not on a racial basis. The indivdidual grant program funding could be better utilized by transferring that amount to tribal economic development grants.

Indian education is not within the jurisdiction of this Committee; however, we are concerned that the proposed changes in the Johnson O'Malley program and Title IV funding of Indian education were proposed without consultation of the States or Indian programs, we wish to defer proposed changes until proper consultation is completed.

Indian Health Service (IHS)

The Administration has proposed drastic cuts in funding for vital IHS programs including the Community Health Representatives, Urban Indian Health Centers, sanitation facilities construction, hospital and clinic construction, and an overall reduction in clinical and preventive care services. These program reductions or eliminations follow a recently received request for recissions for FY 1986 totaling approximately $57 million. We cannot accept the recissions nor the drastic reduction in IHS programs.

We recommend that $813.993 million be appropriated similar to FY 1986 program distributions. This represents an increase in $88.125 million from the Administration's request, but an actual reduction of 2% over FY 1986. Within programs we recommend an administrative cut of 1% across-the-board, except in the case of Urban Health Centers where a reduction of 10% is requested in an effort to increase dependency on local funding sources. In construction funding, we have been informed that a backlog of over $40 milliion exists in previously appropriated funds. While we believe this backlog exists as a fault of the IHS and the Office of Management and Budget, we do recommend a reduced level of hospital and clinic construction funding ($5.312 million) in an effort to expend previous funds. Additionally, funding for sanitation facilities is at a reduced level ($14.901 million) reflecting this backlog and the unfortunate circumstance of reduced requests for Indian housing, both within this Committee's jurisdiction and in other Committees.

We are troubled by the assumptions made for Medicare/Medicaid collections and for 3rd party payors collections. The FY 1987 figures do not reflect a serious effort at estimate actual collection capabilities. Also, we do not believe the collection programs have consulted adequately with Indian tribes and States as to the potential of such collections. Therefore, while supportive of these efforts we note that it is unrealistic to assume such receipts. Additionally, we recommend that collection efforts by IHS facilities and contracting Indian tribes be allocated within origin area of the collection, thus acting as an inducement to increase collections and improve Indian health conditions locally.

ADDITIONAL VIEWS OF DON YOUNG, ROBERT LAGOMARSINO, AND BEN BLAZ

The Compact of Free Association establishes a new relationship between the United States and the Republic of the Marshall Islands and the Federated States of Micronesia. The Compact was passed by both Houses of Congress in December 1985, and became Public Law 99-239 when signed January 14, 1986, by President Reagan.

The President has honored the full-faith and credit sections of the Compact by requesting the following for the first and second years:

First Year Compact	$327,470,000
Less reappropriation of fiscal year 1986 Trust Territory Government Funds	56,527,000
Fiscal year '86 Supplemental App	270,943,000
Second Year Compact	144,270,000

The above funds include the $150 million for the nuclear claims fund, which will settle the claims of individuals in the Marshall Islands that were affected by U.S. nuclear testing. All other full-faith and credit sections plus some non-full faith and credit sections are funded.

There are a number of other non-full faith and credit sections of the Compact that should be funded. Given the current deficit reduction requirements, it is recognized that funding for all of the non-full faith and credit sections were not requested this year. While the '87 budget request and the '86 Supplemental request do provide funding for some of the non-full faith and credit sections, it is essential that all commitments in the Compact be addressed.

The Compact does not give a specific year in which funding for the additional sections are to be provided. However, section 105(j)(2) of P.L. 99-239 does authorize up to $13 million in the first year of the Compact and up to $8.7 million in the second year. Funding for educational purposes would be appropriate for FY '87, as this is the first year federal education grants are not available. The administration should provide education funds in FY '87, if possible, or in the following year.

The Administration requested funds for the building of capitols for the FSM, the Marshall Islands, and Palau, in FY '84 and '85. As Congress did not appropriate funds in those years, no administration request was made for FY '86 and '87. The Administration should request the $14.24 million for the three capitols. This is a sensitive issue in Micronesia and is particularly appropriate with the pending termination of the Trust Territory and the formal establishment of the freely associated states.

The Compact of Free Association, in the Section 177 subsidiary agreement, contains a commitment by the United States to provide funding for the resettlement of the people of Bikini at Bikini Atoll.

This funding would be additional to the $75 million that the people of Bikini will receive from the Marshall Islands Nuclear Claims Trust Fund and in addition to the $20.4 million Congressional resettlement trust fund they received two years ago. There is no time deadline for availability of the funding since several scientific questions are at this time unanswered. Last year, the United States and the people of Bikini settled a lawsuit out of court and reference to that lawsuit settlement is included in the legislation approving the Compact. The important element of that lawsuit settlement is that it includes a statement of acceptance of responsibility by the Bikini people for the rehabilitation and resettlement of Bikini Atoll and an explicit understanding that the resettlement funds to be supplied by the United States in the future may also be used, to the extent possible, for rehabilitation activities. The lawsuit settlement states that the funding can be made available by the United States for these purposes after the present Congressionally authorized scientific studies have been completed and their conclusions accepted by the Bikini people and after a plan for the expenditure of the funds has been drawn up. Thus, it would be premature now to request the appropriation of funding for Bikini resettlement since the events have not transpired.

The United States made a renewed commitment in the Compact to care for the people affected due to U.S. nuclear testing in the Marshall Islands. While the funding requested by the Administration does address the needs of these people, it is important that agricultural and feeding programs, radiological health care, Enjebi resettlement, and Bikini Atoll clean-up be monitored and aggressively pursued. The Administration is cognizant of the Compact sections regarding these issues and is urged to take action as is necessary and required.

Our legacy in Micronesia does not end with the termination of the Trusteeship, rather, it begins anew with the effective date of the Compact. Our commitments to the freely associated states are honored in the President's FY '87 budget request, and accordingly should be continued.

NINETY-NINTH CONGRESS

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February 25, 1986

Honorable William H. Gray III
Chairman
Committee on the Budget
214 House Annex I
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to Section 301 of the Budget Act, I am pleased to transmit the views and estimates of the Committee on the Judiciary for the fiscal year 1987. It should be kept in mind that all of the legislation discussed in this submission is still under consideration by either the House or the Committee. I would urge your Committee to bear in mind that because of the accelerated schedule for the views and estimates which has been mandated this year, the time of the subcommittees to review the programs within their jurisdiction has been necessarily limited. Accordingly, an in-depth review of all potential authorizations has not yet been completed. I hope that this report is of use to your Committee.

Because of the severe crisis that the current budget deficit has created, the Committee believes that with the certain exceptions noted below that governmental expenditures for the programs within its jurisdiction should be frozen at the FY 1986 appropriations level. I also include comments concerning some of the functions within this Committee's jurisdiction.

THE DEPARTMENT OF JUSTICE AUTHORIZATION

Antitrust Division

The Administration has proposed increasing the funding of the Antitrust Division from $44.5 million to $50.009 million. Much of this increase ($3.4 million) would accommodate a proposed transfer of 68 positions from the Interstate Commerce Commission.

The Committee recommends funding the Antitrust Division at the same rate as for fiscal 1986 ($44.5 million). If the Congress approves the Administration proposal to disband the ICC and transfer certain positions to the Antitrust Division, funds allocated to the ICC would have to be reallocated to the Antitrust Division.

Immigration and Naturalization Service

For fiscal year 1986, the Committee authorized an increase of $29 million over the Administration's budget proposal for the Immigration and Naturalization Service (INS) of $577,510,000. An amount of $14.6 million was included to complete the personnel increases not included in the Administration's FY 1985 request, as well as to provide $14.5 million to offset the 5% Federal pay cut already reflected in the budget submission.

The Committee felt that the package of personnel increases it reported in FY 1985 presented a balanced implementation program which would have benefitted both the public service area and the enforcement efforts. The FY 1985 appropriations action only partially met the objectives as set forth in the authorization bill. Therefore, the Committee felt justified in completing that action in the FY 1986 authorization legislation. The House Appropriations Committee did not approve any of the increases and held to the budget figure submitted by the Administration -- $577,510,000.

The House-Senate Conference on Appropriations settled on a figure of $593,800,000 thereby slightly increasing funding for inspections, as well as for detention space and personnel.

The Administration is requesting $609,393,000 for FY 1987 for INS, representing an increase of $15,593,000 over the appropriation enacted by Congress for FY 1986. The present proposal is essentially a current services budget.

The Committee, taking cognizance of the present fiscal restraints, believes that last year's appropriated figure of $593,800,000 is acceptable.

U.S. Trustee Program

In its fiscal year 1987 budget for the Department of Justice, the Administration proposes a budget of $11.663 million for the United States Trustee Pilot Program. This represents an increase of $1.465 million over the funding authorized for this program in fiscal 1986.

The U.S. Trustee Program was created as a pilot program by the Bankruptcy Reform Act of 1978 in an effort to restore public confidence in the bankruptcy system. The program was implemented in 18 of the 94 judicial districts across the country. Perception of abuse had arisen from the bankruptcy judges' role as both case administrators and impartial arbiters. In the 18 judicial districts where the Pilot Program exists, U.S. Trustees, under the general supervision of the Attorney General, now perform supervisory and administrative functions in bankruptcy cases, leaving the bankruptcy judges with primarily adjudicative functions.

As independent bankruptcy administrators, U.S. Trustees have been able to play a critical watchdog role. The U.S. Trustees work closely with law enforcement authorities to detect and prosecute white collar crimes related to bankruptcy such as fraud, theft, embezzlement, and concealment of assets. They review the fees charged by bankruptcy lawyers and other professionals to ensure they are reasonable, successfully challenging many such fees both in and out of court. They also monitor debtors-in-possession in chapter 11 reorganization cases to ensure full and timely remittance of taxes withheld from employees.

The U.S. Trustee Pilot Program is due to sunset in September 30, 1986. Because of the success of the Pilot Program, two bills are pending in the House to expand the program and implement it on a nationwide basis in the Department of Justice. The Administration supports this nationwide expansion within the Department.

Under the two pending bills, a nationwide U.S. Trustee Program would be self-funded by users of the bankruptcy system. The Administration endorses this idea. Initial funds would need to be authorized and appropriated for a nationwide program prior to its start. The self-funding concept would, however, permit the appropriation to be offset. If a nationwide U.S. Trustee Program is implemented, it is estimated that there will be certain start-up cost of the program in fiscal 1987. These costs are based on the assumption that the program will be located within the Department of Justice as is contemplated by the two bills now pending before the Committee. The Congressional Budget Office has not yet provided the Committee with a cost estimate for this program.

If the U.S. Trustee Pilot Program is extended in its present form through the end of fiscal 1987, instead of being implemented on a nationwide basis, though, the Committee recommends funding the Program at last year's level of $10.198 million.

Drug Enforcement Administration

The Drug Enforcement Administration is the lead agency in the nation's fight against illegal drug trafficking. Its major responsibility is to reduce the availability of dangerous drugs to the nation's $100 billion illegal market. The drug enforcement program is one of the nation's most important social and law enforcement programs and has been recognized by the President as one of the high priority programs which must be strengthened notwithstanding the current fiscal concerns.

Three quarters of the deaths and injuries due to drug abuse in the United States are a consequence of the abuse of prescription drugs which have been diverted from legitimate channels. Much of this diversion takes place at the State and local level, yet it has been shown to have significant interstate impact.

The Office of Management and Budget has eliminated the request of the Drug Enforcement Administration for $2.7 million, the amount specifically appropriated by Congress for FY 1986 (which is much less than the $6.0 million authorized for this program), to assist state and local governments suppress the diversion of these highly dangerous drugs. This program, before its elimination by the Administration in 1981, was one of the most successful Federal-State cooperative law enforcement efforts.

This program, due to the nature of the drug diversion program, has the greatest opportunity to reduce the hospital emergency room admissions and the deaths due to drug abuse of any single enforcement program of the Drug Enforcement Administration. The Committee therefore urges restoration of this program and a total authorization for DEA of $414,029,000 for FY 1987.

State and Local Assistance

The Committee recommends that State and local assistance programs of the Office of Justice Programs be maintained at the FY 1986 level of $50.7 million.

OTHER AUTHORIZATIONS

Bureau of Alcohol, Tobacco and Firearms

The Committee recommends funding of the Bureau at a level that will maintain the current level of operations and enforcement. Unfortunately the Administration's request renews a cut that it has unsuccessfully recommended in prior years to eliminate 91 positions in law enforcement and enforcement of the regulatory provisions of the firearms and explosives control laws, and the other acts enforced by the Bureau. These cuts, if carried out, would further undermine the effectiveness of the Bureau which is now operating at a level 25% below the level at which it was enforcing the law in FY 1979. The Committee estimates that maintenance of these 91 law enforcement and compliance enforcement positions would cost $5,000,000 for a total appropriation for FY 1987 of $183,463,000.

Legal Services Corporation (LSC)

The Committee recommends $319 million for FY 1987, the same amount which was authorized for FY 1986 in the Committee's authorization bill (H.R. 2468, H. Rept. 99-448). This is an increase of 4.4% over the FY 1986 appropriation of $305.5 million. It is actually less than CBO estimates for an increase (of 5.6% to $322 million) to reflect inflation.

The Committee believes funding should be increased for this program to reduce the effect of inflation, and to serve the poverty population. In FY 1981, funding for LSC was $321.3 million. The funding was cut 25% in FY 1982 and FY 1983 to $241 million each year in an effort to preserve the program, which the President sought to abolish. During the period, cutbacks in services increased as field program offices were consolidated and closed and as field attorneys and other workers were laid off. The impacts of these cutbacks were severe, and programs are stretched thin as the poverty population has increased by several million (from $30 million to approximately $35 million) within the past five years. Congress did increase funding for LSC in the last three years -- to $275 million in FY 1984, to $313 million in FY 1985 (actually a base of $305 million plus a supplemental appropriation of $8 million in one-time funds to two law schools -- $4 million to Loyola in Louisiana, for the Gillis Long Center and $4 million to Drake University), and $305.5 million in FY 1986. However, these figures were less than the Committee recommendations -- $296 million for FY 1984, $347 million for FY 1985 and $373 million for FY 1986.

Criminal Justice Act

During the 98th Congress, some increases were made to the fees payable under the Criminal Justice Act (18 U.S.C. 3006A) through H.J. Res. 648 (P.L. 98-473). However, the changes did not include all the recommendations of the Committee and the House which processed a CJA revision bill, H.R. 3233. During the 99th Congress the Committee processed a revised version of H.R. 3233, as was further requested by the judges. The bill -- H.R. 3004 -- passed the House on December 9, 1985 by voice vote. It is awaiting Senate action. In order to incorporate these changes, including a fee schedule of $50/hour with a possible maximum of $75/hour, as well as improvements in training assistance for CJA attorneys and malpractice insurance for federal-defenders, a revision bill would cost approximately $10.3 million. The Committee recommends this amount.

Administrative Law Judge Corps Act

The bills would authorize such sums as may be necessary to carry out the provisions of the Act creating an Administrative Law Judge Corps.

Wartime Relocation

The bill would implement the recommendations of the Commission on Wartime Relocation and Internment of Civilians and authorizes appropriations of $1,545,000,000 as well as authority for general appropriations for certain payments specified in the bill.

Administrative Conference

The bill would authorize appropriations for the Administrative Conference of the United States of $2,300,000 a year for fiscal years 1986-1990.

Immigration Reform Package (H.R. 3810)

During the First Session of the 99th Congress, the Committee began consideration of comprehensive legislation (H.R. 3810) to reform the Immigration and Nationality Act. Such consideration is expected to continue during the Second Session. A bill similar to H.R. 3810 was considered during the 98th Congress.

H.R. 3810 includes employer sanctions against persons who hire undocumented aliens, increased funding for Immigration Service, a simplified program for admitting temporary agricultural workers, a legalization program for undocumented aliens and a legalization assistance program for states.

The Congressional Budget Office estimates a budget authority level of $288 million for FY 1987 and $1.01 billion for FY 1988 for the legalization program. The estimated outlay is $50 million for FY 1986 and $537 million for FY 1987. In addition, the legislation authorizes supplemental appropriations for the Immigration Service at the level of $422 million for FY 1986 and $419 million for FY 1987, appropriations for the Executive Office of Immigration Review at the level of $12 million for FY 1986 and $15 million for FY 1987, and appropriation for an immigration emergency fund at the level of $35 million.

The provision for reimbursement of local incarceration costs is expected to raise the cost levels somewhat. Not included in the estimates are estimates of revenues received from fees charged or the cost savings resulting from the implementation of verification system prior to receipt of welfare benefits included in the legislation.

Refugee and Entrant Domestic Assistance (H.R. 1452)

During the First Session of the 99th Congress, the Committee reported legislation (H.R. 1452, H. Rept. 99-132, Part I) extending the funding authority under the Refugee Act of 1980 for two fiscal years. Although the House approved the legislation in June 1985, the Senate failed to act on this refugee reauthorization bill during the First Session.

H.R. 1452 authorizes such sums as may be necessary to reimburse state and local governments for their refugee related cash and medical assistance costs. It specifically authorizes, for FY 1987, line items for social services ($77.9 million), health screening and initial treatment ($9.1 million) and targeted assistance ($50 million). The bill also authorizes funds to reimburse states and counties for costs associated with the incarceration of certain Cuban nationals.

The Committee estimates that total budget authority under H.R. 1452 for refugee and entrant domestic assistance for FY 1987 will be $404 million, $30 million higher than the Administration's request.

I appreciate the opportunity to provide the Budget Committee with this information. I remain available to be of assistance to you.

With best regards,

Sincerely,

PETER W. RODINO, JR.
Chairman

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U.S. House of Representatives
Committee on
Merchant Marine and Fisheries
Room 1334, Longworth House Office Building
Washington, DC 20515

CHIEF COUNSEL
EDMUND B. WELCH

MINORITY STAFF DIRECTOR
GEORGE D. PENCE

February 25, 1986

Honorable William H. Gray, III
Chairman
House Budget Committee
214 House Annex I
Washington, D.C. 20515

Dear Mr. Chairman:

In accordance with section 301 (d) of the Congressional Budget and Impoundment Control Act of 1974, as amended, enclosed is the fiscal year 1987 Views and Estimates Report of the Committee on Merchant Marine and Fisheries.

With kind regards, I am

Sincerely,

Walter B. Jones
WALTER B. JONES
Chairman

Enclosure

cc: The Honorable Tip O'Neill, Jr.

FY 87
VIEWS & ESTIMATES

MERCHANT MARINE

2/21/86 Fri 11:07:04 (#3SL)

MERCHANT MARINE AND FISHERIES
Subcommittee on Merchant Marine
MARITIME ADMINISTRATION

(in thousands of dollars)

ACCOUNT/PROGRAM		FY 86 APPROP	FY 86 APPROP AFTER GR	FY 87 ADMIN REQUEST
I. SHIP CONSTRUCTION (CDS) (69-1708-0-1-403)	BA	-0-	-0-	-0-
	O	4,894	-0-	-0-
II. OPERATING DIFFERENTIAL SUBSIDY (ODS)				
Appropriation (69-1709-0-1-403)	BA	299,500	299,500	320,000
	O	311,501	311,501	320,000
III. RESEARCH AND DEVELOPMENT (69-1716-0-1-403)	BA	9,900	9,474	5,500
A. Advanced Ship Development				-0-
B. Advanced Ship Operations				1,900
C. Research Facilities				2,975
D. Advanced Maritime Technology				625
	O	12,056	11,928	11,550

MERCHANT MARINE AND FISHERIES
Subcommittee on Merchant Marine
MARITIME ADMINISTRATION

(in thousands of dollars)

ACCOUNT/PROGRAM		FY 86 APPROP	FY 86 APPROP AFTER GR	FY 87 ADMIN REQUEST
IV. OPERATIONS AND TRAINING (69-1750-0-1-403)	BA	69,700	66,703	62,693
A. Maritime Education & Training				
1. Merchant Marine Academy				20,278
2. State Marine Schools				1,035
3. Additional Training				1,135
B. Nat'l Security Support Capability				13,421
C. Operating Programs				
1. Development of Waterborne Transportation Systems				1,905
2. Use of Waterborne Transportation Systems				6,036
3. General Administration				18,883
	O	80,640	78,085	65,770
V. FEDERAL SHIP FINANCING FUND (TITLE XI) (69-4301-0-3-403)	BA	-0-	-0-	-0-
	O	509,297	509,164	99,915
VI. WAR RISK INSURANCE REVOLVING FUND (69-4302-0-3-403)	BA	-0-	-0-	-0-
	O	-900	-900	-900

MERCHANT MARINE AND FISHERIES
Subcommittee on Merchant Marine
MARITIME ADMINISTRATION

(in thousands of dollars)

ACCOUNT/PROGRAM		FY 86 APPROP	FY 86 APPROP AFTER GR	FY 87 ADMIN REQUEST
VII. VESSEL OPERATIONS REVOLVING FUND (69-4303-0-3-403)	BA	-0-	-0-	-0-
	O	-0-	-0-	-0-
VIII. GIFTS AND BEQUESTS (69-8503-0-7-403)	BA	15	15	15
	O	15	15	15
IX. SPECIAL STUDIES, SERVICES, PROJECTS (69-8547-0-7-403)	BA	385	385	385
	O	385	385	385
X. OCEAN FREIGHT DIFFERENTIAL (69-1751-0-1-403)	BA	-0-	-0-	-0-
	O	48,000	48,000	-0-

MERCHANT MARINE AND FISHERIES
Subcommittee on Merchant Marine
FEDERAL MARITIME COMMISSION

(in thousands of dollars)

ACCOUNT/PROGRAM		FY 86 APPROP	FY 86 APPROP AFTER GR	FY 87 ADMIN REQUEST
I. FEDERAL MARITIME COMMISSION (65-0100-0-1-403)	BA	11,870	11,360	11,940
	O	11,880	11,423	11,950

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SHIP CONSTRUCTION (CDS)

(in thousands of dollars)

	FY 86 APPROP	FY 86 APPROP AFTER GR	FY 87 ADMIN REQUEST
BA:	0	0	0

Program Description:

The Maritime Administration is authorized by Title V of the Merchant Marine Act, 1936, to pay Construction Differential Subsidy (CDS) to reduce or eliminate the cost disparity that exists between U.S. and foreign shipbuilding prices. The subsidy is the difference between shipbuilding costs in a U.S. shipyard and a reasonable estimate of costs in a foreign shipyard, but may not exceed 50 percent of the domestic costs. To be eligible for CDS, vessels must be built in U.S. shipyards, owned by U.S. citizens, crewed by U.S. citizens, and operated under the U.S.-flag in the Nation's essential foreign commerce.

Program Implications:

Construction Differential Subsidy has not had funds appropriated for new construction since Fiscal Year 1981.

OPERATING DIFFERENTIAL SUBSIDY (ODS)

(in thousands of dollars)

	FY 86 APPROP	FY 86 APPROP AFTER GR	FY 87 ADMIN REQUEST
BA:	299,500	299,500	320,000

Program Description:

Operating differential subsidies (ODS) are the primary means of Federal support for the competitive operation of the U.S.-flag merchant fleet engaged in the foreign commerce of the United States. This program helps to maintain a U.S.-flag merchant fleet to meet both the commercial and national security requirements of the United States.

46 App. U.S.C. 1171 - 1185 provides that the Maritime Administration may enter into contracts with United States citizens operating U.S.-flag liner and bulk vessels in foreign commerce in essential services, and provides for payment of the differential between certain operating costs and those of foreign competitors in order to permit operation on a comparable cost basis. Appropriations are provided to liquidate obligations incurred (46 App. U.S.C. 1119(b)(3)).

Program Implications:

The Administration's request exceeds the FY 86 appropriations level by $20.5 million. The FY 86 appropriation had taken into account savings that the Administration planned to realize by the elimination of the so-called "double-subsidy". This is a Grace Commission recommendation. Legislation was required to curtail the expenditure of ODS to operators for voyages where government-impelled military and premium-rated preference cargo is carried. The requisite legislation was not enacted. The Administration will continue to seek elimination of the "double-subsidy". It will adjust estimates if legislation is enacted.

RESEARCH AND DEVELOPMENT

(in thousands of dollars)

	FY 86 APPROP	FY 86 APPROP AFTER GR	FY 87 ADMIN REQUEST
BA:	9,900	9,474	5,500

Program Description:

The Research and Development program is designed to develop methods, equipment, and systems to make the U.S. shipbuilding and ship operating industries more efficient, competitive, and productive. Programs are aimed at the development of information and technology that will result in lower shipbuilding costs, operating costs, and government subsidies for both ship construction and operation. Substantial participation by industry is obtained through cost-sharing and joint industry/government projects. The programs include: Advanced Ship Development; Advanced Ship Operations; Research Facilities; and, Advanced Maritime Technology.

Program Implications:

The budget proposes 1987 as the final year of funding for maritime research and development activities, which the Administration views as a private sector funding responsibility. In that regard, activities by the Administration in 1987 will emphasize movement toward greater private sector initiative in maritime research and development and efforts to "privatize" the Computer Aided Operations Research Facility.

OPERATIONS AND TRAINING

(in thousands of dollars)

	FY 86 APPROP	FY 86 APPROP AFTER GR	FY 87 ADMIN REQUEST
BA:	69,700	66,703	62,693

Program Description:

The Operations and Training Program costs include amounts for headquarters and region staffs in the administration and direction of the various programs established to fulfill Maritime Administration responsibilities as well as the following: Education and Training (Kings Point Merchant Marine Academy); State marine schools; Additional Training (for merchant seamen); National Security Support Capability (the National Defense Reserve Fleet); Operating Programs (including development of waterborne transportation systems, and general administration).

Program Implications:

The Administration requests $53.343 million in new budget authority for FY 87. Additionally, the Administration proposes to defer $9.35 million to be brought forward from FY 86. The deferral consists of funds appropriated in FY 84 for replacement of the New York State Maritime Academy training ship ($8.5 million) and fuel ($.85 million). If the deferral request is approved, this will provide for a total FY 87 program level of $62.693 million, $7.007 million below the FY 86 appropriation.

The majority of this net reduction of $7.007 million reflects the elimination of $11.9 million for support of the state marine schools, offset by a $3.855 million increase in funding for national security support capability.

FEDERAL SHIP FINANCING FUND (TITLE XI)

(in thousands of dollars)

	FY 86 APPROP	FY 86 APPROP AFTER GR	FY 87 ADMIN REQUEST
BA:	0	0	0

Program Description:

Title XI of the Merchant Marine Act, 1936, as amended, established the Federal Ship Financing Fund to assist in the development of the U.S. merchant marine by guaranteeing construction loans and mortgages on U.S.-flag vessels built in the United States. Administration expenses incurred in the operation of the Federal Ship Financing Fund are paid from income to the Fund. The Fund receives income from insurance premiums on construction loans and mortgages, fees, and interest on U.S. Government securities and mortgages held directly. The payment of administration expenses is made from this income, while payments for advances to operators and redemption of defaulted loans and mortgages are paid from income, equity, and borrowing from the Treasury Department.

Program Implications:

The Administration proposes that 1986 will be the last year in which new loan guarantee commitments are made under the title XI program. The Administration also states that application of Gramm-Rudman-Hollings placed a de facto limitation of $66.99 million on 1986 new loan guarantee commitments. This is $3.01 million less than the current $70 million estimate of new commitments that otherwise would have been made.

WAR RISK INSURANCE REVOLVING FUND

(in thousands of dollars)

	FY 86 APPROP	FY 86 APPROP AFTER GR	FY 87 ADMIN REQUEST
BA:	0	0	0

Program Description:

The Maritime Administration is authorized to insure against loss or damage from marine war risks until commercial insurance can be obtained on reasonable terms and conditions. This insurance includes war risk hull and disbursements interim insurance, war risk protection and indemnity interim insurance, second seamen's war risk interim insurance, and war risk cargo insurance standby program.

This program was established under 46 App. U.S.C. 1288 and receives income from binder fees, insurance premiums, interest from investments and claim reimbursements from other Federal agencies. Underwriting agents' fees and expenses, appraisal contractors' fees, and insurance claims are paid from this income.

VESSEL OPERATIONS REVOLVING FUND

(in thousands of dollars)

	FY 86 APPROP	FY 86 APPROP AFTER GR	FY 87 ADMIN REQUEST
BA:	0	0	0

Program Description:

The Maritime Administration is authorized to reactivate, operate, deactivate, and charter merchant vessels, and operate experimental vessels under the jurisdiction of the Secretary of Transportation. These operations are financed by the Vessel Operations Revolving Fund. The Fund is also available to finance the necessary expenses to protect, maintain, preserve, acquire, and use vessels involved in mortgage foreclosure or forfeiture proceedings instituted by the United States; and, to process advances received from Federal agencies.

Expenses are principally financed by reimbursements from Federal agencies.

GIFTS AND BEQUESTS

(in thousands of dollars)

	FY 86 APPROP	FY 86 APPROP AFTER GR	FY 87 ADMIN REQUEST
BA:	15	15	15

Program Description:

The Secretary of Transportation is authorized to accept, hold, administer, and utilize gifts and bequests of property. Proceeds are used in accordance with the terms of the gift or bequest.

SPECIAL STUDIES, SERVICES AND PROJECTS

(in thousands of dollars)

	FY 86 APPROP	FY 86 APPROP AFTER GR	FY 87 ADMIN REQUEST
BA:	385	385	385

Program Description:

This trust fund is maintained to finance joint projects with non-Federal organizations.

OCEAN FREIGHT DIFFERENTIAL

(in thousands of dollars)

	FY 86 APPROP	FY 86 APPROP AFTER GR	FY 87 ADMIN REQUEST
BA:	0	0	0

Program Description:

Public Law 99-198 amends section 901 of the Merchant Marine Act to increase from 50 percent to 75 percent the amount of agricultural commodities under specified programs that must be carried on U.S.-flag vessels. The increased cost associated with this expanded U.S.-flag shipping requirement, which stems from the higher rates charged by U.S.-flag carriers compared with foreign-flag carriers, must be financed by the Secretary of Transportation through borrowings from the Treasury.

Program Implications:

The Administration opposes expanded requirements to ship commodities on U.S.-flag carriers. Therefore, the budget proposes language for 1986 and 1987 that prohibits the Secretary of Transportation from issuing obligations to finance the increased costs under Public Law 99-198. Separately, the Administration is proposing authorization legislation to repeal the expanded cargo preference requirement added to the Merchant Marine Act by Public Law 99-198. If Congress does not act on the Administration's proposals, the Administration estimates that the Secretary of Transportation will be required to borrow $48 million in 1986 and $120 million in 1987.

FEDERAL MARITIME COMMISSION

(in thousands of dollars)

	FY 86 APPROP	FY 86 APPROP AFTER GR	FY 87 ADMIN REQUEST
BA:	11,870	11,360	11,940

Program Description:

The Federal Maritime Commission administers the shipping statutes that require regulation of the domestic offshore and international waterborne commerce of the United States. In addition, the Commission has responsibility for the licensing of ocean freight forwarders, for ensuring that vessel operators or owners establish financial responsibility for death or injury to passengers or other persons on voyages to and from U.S. ports, and for indemnification of passengers for the non-performance of transportation.

Program Implications:

The Administration proposes a $70,000 increase over the FY 86 Appropriation.

U.S.-FLAG COMPENSATING PAYMENTS

(in thousands of dollars)

	FY 86 APPROP	FY 36 APPROP AFTER GR	FY 87 ADMIN REQUEST
BA:	0	0	0

Program Description:

H.R. 4024 would establish a new short-term subsidy program to compensate U.S.-flag merchant vessels engaged in the foreign commerce of the United States for some of the higher costs associated with operation under the U.S.-flag. The program will help maintain a U.S.-flag fleet adequate to meet the defense and commercial needs of the United States. Payments under this program would compensate the U.S.-flag operation for the higher cost of wages and insurance and would reduce the cost advantage enjoyed by foreign operators, many of whom receive extensive subsidies from foreign governments. A similar proposal developed by certain U.S.-flag operators would establish a Seaman's Wage Adjustment program that would provide subsidy only to offset the difference between U.S.- and foreign-flag crew costs.

Program Justification:

The Subcommittee anticipates that the cost associated with either of these programs would be no greater than the cost of the Operating-Differential Subsidy program since U.S.-flag operators currently receiving ODS would have to relinquish ODS to be eligible for either program. In addition, H.R. 4024 contains a number of cost-cutting proposals such as a limitation on the number of seamen whose wages would be covered by the program, and authority to construct vessels requiring fewer crew members. The newer vessels that would be carrying preference cargo could also reduce the cargo preference costs to the Government.

The Subcommittee would also include similar cost-cutting provisions in the industry proposal.

FY 87
VIEWS & ESTIMATES

OCEANOGRAPHY

TABLE I

MERCHANT MARINE AND FISHERIES COMMITTEE
National Oceanic & Atmospheric Administration (Commerce)

(in thousands of dollars)

ACCOUNT/PROGRAM	FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
I. OPERATIONS, RESEARCH & FACILITIES (TOTAL)			
A. Ocean & Coastal Programs			
1. Non-Living Marine Resources			
a) ocean minerals (Deep Seabed Mining)	1,525	1,549	1,589
b) ocean energy (OTEC)	0	0	0
2. Ocean & Great Lakes Research			
a) Ocean Climate Research	13,168	12,600	11,138
b) National Undersea Research Program	9,635	9,220	0
c) Ocean and Great Lakes Prediction and Research	13,885	13,286	10,820
3. Ocean Services			
a) Ocean and Great Lakes assessments and services	28,789	27,547	20,102
b) National Marine Pollution Program	1,301	1,245	1,309
4. Sea Grant	40,250	38,514	0

ACCOUNT/PROGRAM	FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
5. Coastal Zone Management			
a) Estuarine Sanctuaries	2,059	1,970	1,259
b) Marine Sanctuaries	2,852	2,729	1,196
c) State Grants (Sec. 306 & 306A)	35,000	33,491	0
d) Interstate Grants (Sec. 309)	1,000	957	0
e) Program Management	3,043	2,912	2,420
6. Mapping, Charting, and Geodesy Programs			
a) Nautical Chart Service	17,474	16,721	16,548
b) Coastal Mapping	3,844	3,678	3,796
c) Geodetic Reference System	15,949	15,261	13,623
B. Satellite and Environmental Data and Information Services			
1. Ocean Data Services	5,129	4,908	5,138
C. Program Support			
1. Executive Direction & Administration			
a) Executive Direction and Central Administration Support	47,497	45,449	47,985
b) Retired Pay Commissioned Officers	4,632	4,632	5,019
c) NACOA	500	479	0
2. Marine Services			
a) Ship Operations	36,450	34,878	26,104
b) Ship Maintenance and Support Services	22,264	21,304	21,407
II. Coastal Energy Impact Fund	-8,000	-7,656	8,300
TOTAL	298,246	281,042	182,153

MERCHANT MARINE AND FISHERIES
Oceanography
Environmental Protection Agency

(in thousands of dollars)

ACCOUNT/PROGRAM	FY '86 Approp.	FY '86 Approp. After GRH	FY '87 Admin. Req.
I. ABATEMENT, CONTROL & COMPLIANCE (68-0108-0-1-304)			
1. Chesapeake Bay Program	10,090	9,656	10,107
2. Ocean Disposal Permits	8,965	8,580	9,071
3. Coastal Environmental Management	9,380	8,976	7,883
II. RESEARCH AND DEVELOPMENT (68-0107-0-1-304)			
1. Environmental Processes and Effects Research	11,990	11,475	11,261
TOTAL	40,425	38,687	38,322

NON-LIVING MARINE RESOURCES/OCEAN MINERALS (DEEP SEABED)

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
1,525	1,549	1,589

Program Description:

This line item funds NOAA's licensing, permitting and related activities under the Deep Seabed Hard Minerals Resources Act for the exploration and commercial recovery of manganese nodules from the deep seabed. In support of its licensing and permitting authority, NOAA is required to: (1) engage in environmental and ocean-related research to assure that development occurs in an environmentally compatible manner; (2) help establish a system whereby the United States and other nations recognize each other's seabed mining legal regimes and activities; and (3) facilitate compatibility among such activities.

Effect of President's Recommendation on Program

The Administration's request would keep the program running at the pre-Gramm-Rudman 1986 level.

NON-LIVING MARINE RESOURCES/OCEAN ENERGY

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
0	0	0

Program Description:

This line item provides for the administration of the Ocean Thermal Energy Conversion Act of 1980 (OTEC). Specifically, NOAA is required to issue licenses for U.S. OTEC facilities and plantships to engage in environmental assessments and support ocean research pertinent to OTEC development, and to conduct functions in support of international negotiations affecting the framework for OTEC development.

Effect of President's Recommendation on Program

The FY '87 Administration's request of zero funding for this program is consistent with the FY '86 appropriation, which did not fund the Ocean Energy line item.

OCEAN RESEARCH/OCEAN CLIMATE RESEARCH

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
13,168	12,600	11,138

Program Description:

Ocean Climate Research activities are aimed at improving the understanding of the roles the ocean plays in determining global climate patterns. Currently, the most important area of research is the international Tropical Oceans and Global Atmosphere (TOGA) program which investigates the air-sea interactions and the ultimate climatic effects associated with the El-Nino phenomenon.

Effect of President's Recommendation on Program

The President's recommendation will decrease the ocean climate rsearch budget by $2,000,000. This decrease will directly effect the TOGA Program which will also be reduced by an additional $1,000,000 in the Atmospheric and Climate Research budget. As a result, the U.S. TOGA Program will be unable to participate in research in the Indian ocean and less able to carry on work in the Western Pacific. Modeling and assessment work will also be diminished.

OCEAN RESEARCH/NATIONAL UNDERSEA RESEARCH PROGRAM

(in thousands of dollars)

FY '86 FY '86 Approp.	FY '87 Approp. after GRH	Admin. Req.
9,635	9,220	0

Program Description:

This program funds a number of deep and shallow-water submersibles which provide NOAA and the scientific community with the opportunity to conduct research in several different underwater environments. This includes the ALVIN (a deep-sea submersible funded jointly by the National Science Foundation, the U.S. Navy, and NOAA) and other submersibles. The deep sea submersibles are used in the Atlantic, Pacific, and Caribbean to investigate deep-sea mineral resources including polymetallic sulfides, as well as general seafloor properties and processes. Shallow-water submersibles (300-2,000 meters) are used in the Atlantic Pacific, Gulf of Mexico, and in the Great Lakes for pollutant investigations and studies on fishery habitats in proposed gas and oil drilling areas, sewage outfalls, dredged spoils and hydrothermal vents. Remotely operated vehicles conduct search and survey missions where manned submersibles are not required. Funds are also provided for research in diver physiology and underwater medical studies for the protection, safety, and health of NOAA and of commercial divers on the continental shelf (OSC Land Act Amendments of 1978 Section 21(e)). Six National Undersea Research Facilities are supported to conduct research in the shallow undersea environment. These facilities include the HYDROLAB in St. Croix, AEGIR (being refurbished to replace the HYDROLAB), MAKALII - a 2-man submersible in Hawaii, a shallow water habitat for the University of Southern California, mobile diving bell and a support ship at the University of North Carolina, and a facility at the University of Connecticut for research in the Atlantic and Great Lakes.

Effect of President's Recommendation on Program

The President's recommendation will completely eliminate NOAA's Undersea Research Program. This will terminate NOAA's use of the deep and shallow water submersibles, NOAA's studies of underwater diving techniques and equipment, and NOAA support of five regional undersea programs. In addition, it will eliminate NOAA's share of jointly funded biomedical research and support for the deepsea research vessel ALVIN.

OCEAN RESEARCH/OCEAN AND GREAT LAKES PREDICTION AND RESEARCH

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
13,885	13,286	10,820

Program Description

NOAA conducts process-oriented research to improve our knowledge and understanding of oceanic and Great Lakes systems and the impacts of human-induced stresses on these ecosystems. This research provides environmental prediction models and advisory services for assessment and forecasting capabilities. This provides a scientific base of information to support decisions pertinent to marine resources, marine pollution, and marine activities with potential adverse impacts on ecosystems.

Effect of President's Recommendation on Program

The President's recommendation will adversely impact three programs in Oceans and Great Lakes Prediction Research. It will eliminate the research program for processes at seafloor spreading center and polymetallic sulfides (VENTS). The decrease of $844,000 to GLERL will eliminate all of the research pertaining to ice hazards, winds, waves, and hazardous waste. Research on ecological succession at GLERL will also be diminished. The decrease of $1,000,000 to FOCI will defer program elements of the Walleye Pollock research program and decrease FOCI's modeling capabilities.

OCEAN SERVICES/OCEAN AND GREAT LAKES ASSESSMENT AND SERVICES

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
28,789	27,547	20,102

Program Description:

This program supports the national effort to acquire, analyze and disseminate oceanographic data. Data and information are developed to describe the natural environment and the state and trends of the environment due to human activities. The information is provided through publications, data services, and real-time transmission of data to ocean users. The program provides national leadership in conducting ocean assessments and distributing information on multiple ocean uses, such as waste disposal and energy development, to identify resource use compatibilities and potential conflicts in major coastal and ocean regions. Studies in representative coastal regions and estuaries assess the impacts of individual ocean use activities.

Effect of President's Recommendation on Program

The President's recommendation to decrease the budget for Ocean and Great Lakes assessments and services will greatly reduce the capabilities of four programs. The $100,000 decrease in the tide and water levels program will terminate funds for operation and maintenance of real-time tide telemetry systems established during FY 86 along Chesapeake and Delaware Canal. The $300,000 reduction in the circulatory survey program will reduce the processing, analysis and archiving of existing circulatory data, and reduce the number of tidal current predictions updated annually.

With a $5,800,000 reduction, the Ocean Assessments Program will be forced to reduce its efforts in the following areas: (1) the National Status and Trends Program's assessment of environmental quality in coastal and estuarine areas; (2) water quality sampling and modeling of Mid-Atlantic and Gulf of Mexico coastal waters; (3) applied research and assessments of the consequences of contaminants on coastal and estuarine environmental quality; (4) generic ocean disposal assessment and research; and (5) resource for the NOAA Quality Assurance Program for Environmental Quality measurements.

The decrease of $2,700,000 represents the funding provided to change the emphasis of the program from establishing additional Regional Centers for dissemination of NOAA data to the more economical plan of distributing information through a NOAA port, augmented by the existing NOAA field structure and staff.

OCEAN SERVICES/NATIONAL MARINE POLLUTION PROGRAM

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
1,301	1,245	1,309

Program Description:

This program implements the National Ocean Pollution Planning Act of 1978 by facilitating efficient and effective use of Federal resources in the conduct of marine pollution research, development and monitoring. This sub-line prepares and updates the five-year Federal pollution plan. Recommendations for priority action include long-term effects studies related to oil and gas development on the Outer Continental Shelf, improved strategies for multi-media waste disposal management, the effects of nonpoint source pollution on marine areas, and better coordination of studies on the effects of marine pollution on marine resources and human health.

Effect of President's Recommendation on Program

Under the President's proposed budget, the National Marine Pollution Program will continue at the previous funding level.

OCEAN AND COASTAL PROGRAMS/SEA GRANT

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
40,250	38,514	-0-

Program Description:

The objective of the National Sea Grant College Program is to enhance the wise use of marine resources at the local, regional and national levels. This is accomplished through coordinated, matching-grant support of university-based research, education and public advisory services. As a result of the program's efforts, the development of new marine industry is being encouraged as well as accelerated. Such acceleration is occurring through: (1) application of academic research to improve marine technologies; (2) education and training of specialized personnel to develop and manage ocean and coastal resources; (3) provision of information on the social, economic, and legal impacts of marine development; and, (4) transference of research results through programs of marine advisory and extension services.

Effect of President's Recommendation on Program

The President's FY 87 budget proposes to rescind $30.6 million in unobligated FY 86 Sea Grant funds. A total of 30 coastal State governments and universities would not receive their FY 86 grants. Approximately $8.4 million in grants have already been obligated. The budget requests no federal funds for FY 87. The effect of the rescission request and zero funding in FY 87 is to terminate the National Sea Grant College Program in FY 86.

COASTAL ZONE MANAGEMENT/ESTUARINE SANCTUARIES

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
2,059	1,970	1,259

Program Description:

Under section 315 of the Coastal Zone Management Act of 1972 (CZMA), NOAA is authorized to provide fifty percent matching grants to states and territorial governments for the acquisition, development and operation of natural field laboratories in estuarine environments. The data resulting from the research concerning the processes, both natural and human, which occur within estuaries, is intended to aid CZM decisionmakers and the public. It also contributes to educational programs designed for thousands of students of all ages. A national system of 15 designated sanctuaries, each representing a specifically defined biogeographic region, has been established thus far in 12 states and Puerto Rico, with two more anticipated in 1986.

Effect of President's Recommendations on Program

The loss of $800,000 in funds to acquire new estuarine areas in FY 1987 will further lengthen the time it will take to develop an estuarine sanctuary program that is fully representative of the range of estuaries found in the United States. Such a system will comprise approximately 28-30 sites.

COASTAL ZONE MANAGEMENT/MARINE SANCTUARIES

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
2,852	2,729	2,196

Program Description:

The National Marine Sanctuaries Program was authorized by Congress in 1972 under Title III of the Marine Protection, Research and Sanctuaries Act (MPRSA). Nationally significant areas of the Great Lakes and oceans, which come under U.S. jurisdiction, are to be protected under NOAA's direction. Potential sites are evaluated, management plans developed, and management, research and enforcement efforts coordinated. It is intended that the sanctuaries accommodate multiple-uses which are compatible with the goal of resource protection. Seven sites have been designated as National Marine Sanctuaries. It is expected that at least one more will be added by 1986. At present, four other sites are being studied for future designation.

Effect of President's Recommendation on Program

The decrease of $700,000 in FY 1987 will limit the ability of the federal agency to manage properly the seven designated marine sanctuary sites. NOAA has been unable over the past several years to carry out fully its research and management responsibilities regarding its existing sites, and has moved extremely slowly in designating new sites. Any loss of funds will necessarily adversely affect this small but extremely important marine resources preservation program.

COASTAL ZONE MANAGEMENT/STATE AND INTERSTATE GRANTS

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.	
35,000	33,491	0	(sections 306/306A)
1,000	957	0	(section 309)

Program Description:

Sections 306 and 306A of the Coastal Zone Management of 1972 (CZMA) authorize NOAA to provide financial assistance to states with federally approved coastal programs. Under this program, grants have been provided to coastal states and territories for administration of their CZM programs and for resource improvement projects. Currently, 23 states and five territories have qualified for these grants and provided matching funds. More than 90 percent of the Nation's coastline is being managed by these states. Along with the federal consistency requirements of the CZMA, federal financial assistance is the major incentive for state participation in CZM.

Under section 309 of the Coastal Zone Management Act of 1972 (CZMA), states are encouraged to give high priority to coordinating their CZM plans, policies and programs with contiguous states. Studying, planning and implementing unified coastal policies pertaining to contiguous areas of the coastal zone, as well as establishing effective mechanisms for identifying, examining and resolving mutual coastal problems, are activities supported by this section.

Effect of President's Recommendation on Program

Rescission of funds in FY 1986 and no funds in FY 1987 for support of state coastal management programs may mean that many of these programs will not survive and that program activities in all states will be adversely affected. Failure to provide federal funding would end the partnership agreement embodied in the CZMA, according to which important national goals and interests would be met if the states took on the responsibilities of managing, protecting and developing coastal resources with federal financial assistance. Termination of federal funding will substantially undermine the many and well-recognized accomplishments of state programs.

COASTAL ZONE MANAGEMENT/PROGRAM MANAGEMENT

(in thousands of dollars)		
FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
3,043	2,912	2,420

Program Description:

A number of activities associated with implementation of the Coastal Zone Management Act of 1972 (CZMA) and its amendments are carried out by the administrative staff of the Office of Ocean and Coastal Resource Management (OCRM) within NOAA. Assistance is given to coastal states and territories for the development and implementation of their CZM programs, including activities of interest to the Nation, such as coastal energy development and also for the establishment and management of estuarine sanctuaries. More specifically, these activities include: administration of financial assistance grants, including monitoring of compliance with the funding awards; evaluations of CZM programs; and provision of technical assitance to states and federal agencies concerning program administration and federal consistency.

Effect of President's Recommendation on Program

The loss of six positions and decrease of $650,000 in FY 1987 will diminish the Federal Government's ability to oversee state Coastal Zone Management programs. The ability of the federal agency to evaluate state programs, to develop new programs in the states and territories currently outside the federal program, and to provide technical support and services to the states with coastal management programs will be curtailed.

MAPPING, CHARTING AND GEODESY PROGRAMS/NAUTICAL CHART SERVICES

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
17,474	16,721	16,548

Program Description:

Nautical chart services and marine navigation publications produced by NOAA are basic tools for marine navigation, ocean operations and marine resources planning and management. A significant portion of chart production goes to the Department of Defense and other government agencies to support their activities. More than 200,000 merchant ships, offshore platforms, work boats, commercial fishing vessels and dredges operating in the 200-mile economic zone require maps and charts, as do millions of recreational vessels. State agencies and the private sector depend on NOAA charts and maps for developing land use policy, coastal zone management and resources development.

Effect of President's Recommendation on Program

The Administration request is basically for level funding of this program. The decrease of $754,000 from the FY '86 programmatic level reflects plans for other federal agencies who receive NOAA charts and products to reimburse NOAA for certain production expenses. These payments by federal agencies go into a reimbursable account and thus allow a corresponding decrease in the ORF request.

MAPPING, CHARTING AND GEODESY PROGRAMS/COASTAL MAPPING SERVICES

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
3,844	3,678	3,796

Program Description:

This program conducts aerial and ground surveys, performs photogrammetric analysis and compiles maps in three product categories, primarily in support of the preparation of nautical charts and bathymetric/topographic maps: (1) shoreline maps which provide high accuracy shoreline definition and coastal features on a precisely controlled grid map; (2) aerial photographs with high-accuracy geodetic control for photogrammetric analysis to provide ground coordinates and complete shoreline; and (3) coastal maps which show shoreline changes, storm evacuation routes, safety zones and boundary coordinates.

Effect of President's Recommendation on Program

The Administration's request is basically for level-funding of this program.

MAPPING, CHARTING AND GEODESY PROGRAMS/GEODETIC REFERENCE SYSTEM

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
15,949	15,261	13,623

Program Description:

The geodetic program provides the fundamental reference system for determining latitude, longitude and elevation. This program carries out field surveys, processes survey data, performs sophisticated mathematical computation, carries out research and conducts scientific investigations required to provide four basic categories of products and services: (1) horizontal geodetic information; (2) vertical geodetic information; (3) geodynamic data, and (4) technology extension service.

Effect of President's Recommendation on Program

Decreases involving $2,200,000 are proposed:

(1) decrease of $500,000 in the vertical network; releveling activities will be reduced, and completion of this program delayed from 1987 to 1995;

(2) decrease of $550,000 in the technology extension service will reduce amount of training and assistance provided at the local level regarding the Geodetic Reference System;

(3) decrease of $400,000 to terminate federal funding of South Carolina Cooperative Geodetic Survey; and

(4) decrease of $750,000 to terminate federal funding of the Multipurpose Cadastre System.

SATELLITE AND ENVIRONMENTAL DATA AND INFORMATION SERVICES/ OCEAN DATA SERVICES

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
5,129	4,908	5,138

Program Description:

This line item funds activities associated with the National Oceanographic Data Center (NODC). NODC, located in Washington, D.C., is the world's largest repository of oceanographic data. Data are made available to industry, government agencies (federal, state and local), academic and private research institutions, the general public, foreign governments and private organizations, either on an exchange or reimbursable basis. Regional liaison offices serve local marine data user communities. NODC is responsible for activities required by Section 8 of the National Ocean Pollution Planning Act (P.L. 95-273) of 1978.

Effect of President's Recommendations on Program

The President's budget recommends approximately level funding for ocean data services.

PROGRAM SUPPORT/EXECUTIVE DIRECTION AND ADMINISTRATION

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.	
47,497	45,449	47,985	(w/o NOAA Corps retirement pay)
52,129	53,004		

Program Description:

Executive Direction provides for management of the National Oceanic and Atmospheric Administration (NOAA). Executive Direction positions are principally located at NOAA headquarters and provide staff support to the Administrator in the areas of legal counsel, budget and finance, coordination of intergency programs, public affairs, policy development and planning, Congressional affairs, civil rights, and diving safety.

Funding under Central Administrative Support provides resources for the logistical support of agency programs. NOAA acts as host and provides principal financial support for the Department's Regional Administrative Support Centers.

Effect of President's Recommendation on Program

The President's budget proposes to augment the facilities repair and maintenance fund by a transfer of $1,000,000 from the Fisheries Loan Fund. The Budget recommendations also propose to terminate the National Advisory Committee on Oceans and Atmosphere.

PROGRAM SUPPORT/MARINE SERVICES

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
58,714	56,182	47,511

Program Description:

The Marine Services program involves the operation and maintenance of the NOAA research fleet which is used to obtain data on the chemical, physical, biological and geological characteristics and behavior of the oceans, seafloor, Great Lakes and the ocean-atmosphere interface. The ships carry out programs which support national defense, marine navigation, marine resource development, business and economic activity, protection of life and property, and increased scientific knowledge.

Effect of President's Recommendation on Program

The President's budget recommendations propose a major reduction in the operation and maintenance of the NOAA fleet. The Administration proposes to reduce the ship operations line item by $9.1 million by laying up eight of its fisheries vessels and three of its oceanographic survey vessels, totaling one-half of the NOAA fleet. Reductions of days at sea for remaining vessels are also proposed.

A reduction of $923,000 is proposed for the ship maintenance and support services line item. The Southeast Marine Support Facility is slated for closing, and reductions in the fleet maintenance and rehabilitation program are proposed to reflect the reductions in the overall fleet size. At the same time, the Administration proposes to purchase another two multi-beam sonar systems at a cost of $1.1 million.

ENVIRONMENTAL PROTECTION AGENCY/CHESAPEAKE BAY PROGRAM

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
10,090	9,656	10,107

Program Description:

As a result of the Chesapeake Bay Water Quality Study, EPA is committing significant resources to restore Bay water quality. EPA is assisting Bay states and the District of Columbia in implementing control activities to control nutrient and toxic effects in the Bay. In addition to maintaining the Bay Liaison Office in Annapolis, the Agency will provide cost-sharing grant assistance to the States for implementing nutrient and toxic controls. EPA also conducts detailed monitoring and modeling studies to assist in the clean-up effort.

Effect of President's Recommendation on Program

The Administration proposes a significant level of federal support for abatement and control strategies to implement the Chesapeake Bay Water Quality Study, increasing the funding by a total of $451,600 for FY 1987.

ENVIRONMENTAL PROTECTION AGENCY/OCEAN DISPOSAL PERMITS

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
8,965	8,580	9,071

Program Description:

The ocean disposal program under the jurisdiction of this Committee includes the regulation of ocean disposal by dumping and incineration at sea, designation of disposal sites, development of ocean disposal policies, and participation in international and interagency programs that deal with the development and protection of ocean resources. It is authorized by Title I of the Marine Protection, Research and Sanctuaries Act of 1972.

Effect of President's Recommendation on Program

The Administration proposes to increase the funding for their ocean disposal permits program by $491,000, from the 1986 adjusted appropriation, reflecting a need for increased deep water site monitoring and ocean incineration activities.

ENVIRONMENTAL PROTECTION AGENCY/COASTAL ENVIRONMENTAL MANAGEMENT

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
9,380	8,976	7,883

Program Description:

This program provides assistance to support selected estuarine initiatives by State and local governmental entities for the identification of nutrient and toxic pollution problems and the development of recommended State/local activities for pollution abatement. The program includes the use of technology transfer to make the experiences from the Chesapeake Bay and Great Lakes programs available to the selected estuarine initiatives and others, as appropriate.

EPA in coordination with NOAA will assist selected State and local agencies in the development and implementation of estuarine studies and programs through financial assistance, both matching grants and contracts, and generic guidance developed on the basis of EPA's experience in the Chesapeake Bay and Great Lakes programs.

Effect of President's Recommendation on Program

The Administration proposes to reduce funding for their estuarine management program by a total of $1,049 million, reflecting the anticipated completion of two current estuarine planning efforts in FY 1986.

ENVIRONMENTAL PROTECTION AGENCY/
ENVIRONMENTAL PROCESSES AND EFFECTS RESEARCH

(in thousands of dollars)

FY '86 Approp.	FY '86 Approp. after GRH	FY '87 Admin. Req.
11,990	11,475	11,261

Program Description:.

This subline finances research and development through contracts, grants and intergovernmental agreements to provide a scientific basis for EPA's regulatory actions. Research in water quality assesses the impact of various wastes when dumped into the ocean.

Effect of President's Recommendation on Program

The Administration proposes to reduce the funding for this program by $214,000. The effect of this reduction is to end work on several research projects relating to incineration at sea and effects of pollutants on biological integrity.

FY 87
VIEWS & ESTIMATES

COAST GUARD

MERCHANT MARINE AND FISHERIES

Subcommittee on Coast Guard and Navigation
Department of Transportation/Coast Guard

(in thousands of dollars)

ACCOUNT	APPROP. FY 86	FY 86 AFTER G-R CUTS[1]	ADMIN. REQUEST FY 87
DOT: CG: Operating Expenses (69-0201-0-1-403)	1,627,000	1,557,039	1,832,800
DOT: CG: AC&I (69-0244-0-1-403)	217,300	207,956	77,100
DOT: CG: Bridge Alteration (69-0244-0-1-403)	5,200	4,976	- 0 -
DOT: CG: Retired Pay (69-0241-0-1-403)	351,800	350,639	354,000
DOT: CG: Reserve Training (69-0242-0-1-403)	61,502	58,857	65,200
DOT: CG: Research & Dev. (69-0243-0-1-403)	21,000	20,097	20,500
DOT: CG: National Boating Safety Fund[2] (69-8149-0-7-403)	44,835	42,900	45,000
DOT: CG: Pollution Fund (69-5168-0-2-304)	7,000	6,699	7,000
DOT: CG: Offshore Oil Pollution[2] Compensation Fund (69-5167-0-2-304)	1,000	957	1,000
DOT: CG: Deepwater Port Liability[2] Fund (69-5170-0-2-304)	1,000	957	1,000
DOT: CG: Supply Fund (69-4535-0-4-403)	- 0 -	- 0 -	- 0 -
DOT: CG: CG Yard Fund (69-4743-0-403)	- 0 -	- 0 -	- 0 -
DOT: CG: Miscellaneous Trust Revolving Funds (69-9981-0-8-403)	- 0 -	- 0 -	- 0 -
DOT: CG: General Gift Fund[2] (69-8533-0-7-403	80		80
TOTALS	2,337,717	2,251,077	2,403,680

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[1] Gramm-Rudman

[2] These funds are derived from special fees or taxes

U.S. COAST GUARD

OPERATING EXPENSES

(In Thousands of Dollars)

FY 86 APPROP	FY 86 AFTER GR CUTS	FY 87 ADMIN REQUEST
1,627,000	1,557,039	1,832,800

Program Description: In order to carry out its missions, the Coast Guard employs multipurpose vessels, aircraft, and shore units. These resources are strategically located along the coasts and inland waterways of the United States and in selected areas overseas.

Effect of Budget Request on Program: The President's budget request would permit the Coast Guard to maintain basic operations at roughly the level maintained in fiscal year 1985. The increase in the FY 1987 budget authority reflects a return to the Coast Guard's budget base of $25.5 million of the fixed costs associated with polar icebreaking operations, the restoration to the Coast Guard's budget base of $100 million for defense readiness funded by the Department of Defense in 1986, and the annualization of funding for the fiscal year 1986 pay increases.

ACQUISITION, CONSTRUCTION AND IMPROVEMENTS

(In Thousands of Dollars)

FY 86 APPROP	FY 86 AFTER GR CUTS	FY 87 ADMIN REQUEST
217,000	207,956	77,100

Program Description: This program provides for the major acquistion, construction, and improvement of vessels, aircraft, and shore units, and aids to navigaiton, excluding minor acquisition alteration, additions, renewals, and replacements funded in the operating expenses account.

Effect of Budget Request on Program: The President's budget includes $77 million in new budget authority and proposes to reprogram $190 million from the Coastal Defense Augmentation account created in the Department of Defense in 1986. It would allow for the continuation of the Coast Guard's existing procurements, such as the renovation of the fleet of 378' cutters and the procurement of new short range helicopters.

ALTERATION OF BRIDGES

(In Thousands of Dollars)

FY 86 APPROP	FY 86 AFTER GR CUTS	FY 87 ADMIN REQUEST
5,200	4,976	0

Program Description: This program provides the Government's share of the costs for altering or removing bridges determined to be obstructions to navigation. Generally, bridges to be altered were built with what are now insufficient vertical and/or horizontal clearances for free navigation of the waters of the United States.

Effect of Budget Request on Program: The President's budget request includes no funds for bridge alterations.

RETIRED PAY

(In Thousands of Dollars)

FY 86 APPROP	FY 86 AFTER GR CUTS	FY 87 ADMIN REQUEST
351,800	350,639	354,000

Program Description: This appropriation provides for retired pay of military personnel of the Coast Guard and Coast Guard Reserve, members of the former Lighthouse Service, and for annuities payable to beneficiaries of retired military personnel under the retired serviceman's family protection plan and survivor benefit plan; and for payments for medical care of retired personnel and their dependents under the Dependents Medical Care Act.

Effect of Budget Request on Program: The President's budget request includes sufficient funds to meet the Coast Guard's obligations for retired pay.

RESERVE TRAINING

(In Thousands of Dollars)

FY 86 APPROP	FY 86 AFTER GR CUTS	FY 87 ADMIN REQUEST
61,502	58,857	65,200

Program Description: The Coast Guard Reserve Forces provide qualified individuals and trained units for active duty in time of war or national emergency. This objective is accomplished through formal training and augmentation of regular forces in the performance of peacetime missions during domestic emergencies and during routine and peak operations.

Effect of Budget Request on Program: The President's request reflects an increase of the Selected Reserve strength of 500 positions to a level of 13,000 people. This strength level still represents a significant shortfall in the projected number of Selected Reservists needed for military mobilization in time of war. A 1981 Merchant Marine & Fisheries Committee report recommended that the Coast Guard increase its Selected Reserve strength incrementally each year until it reached a level of 15,500 by 1988.

RESEARCH, DEVELOPMENT TEST AND EVALUTION

(In Thousands of Dollars)

FY 86 APPROP	FY 86 AFTER GR CUTS	FY 87 ADMIN REQUEST
21,000	20,097	20,500

Program Description: This program is designed to improve the Coast Guard's operational functions by providing for basic and applied scientific research related to carrying out those functions.

Effect of Budget Request on Program: The President's budget request does not include sufficient funds to enable the Coast Guard to operate its research and development program at an optimum level.

NATIONAL RECREATIONAL BOATING SAFETY AND FACILITIES IMPROVEMENT FUND

(In Thousands of Dollars)

FY 86 APPROP	FY 86 AFTER GR CUTS	FY 87 ADMIN REQUEST
44,835	42,900	45,000

Program Description: This account provides financial assistance for the development and implementation of a coordinated national recreational boating safety program, as provided in chapter 131 of title 46, United States Code, and Pubic Law 98-369. The National Recreational Boating Safety and Facilities Improvement Fund is derived from motorboat fuel taxes to provide a maximum of $45 million for this program.

Effect of budget request on program: The President's budget requests the appropriation of the full $45 million authorized to be appropriated from the Boat Safety Account in 1987.

POLLUTION FUND

(In Thousands of Dollars)

FY 86 APPROP	FY 86 AFTER GR CUTS	FY 87 ADMIN REQUEST
7,000	7,000	7,000

Program Description: This fund ensures immediate cleanup of oil or other hazardous polluting substances spilled into the waters of the United States, adjoining shorelines or waters of the contiguous zone. The fund is used when a spill occurs and the responsible owners or operators of a vessel, onshore facility, or offshore facility do not accomplish immediate cleanup with their own resources. Expenditures from the fund are later reimbursed by the responsible owner or operators.

Effect of Budget Request on Program: The President's budget request includes sufficient funds for this program.

OFFSHORE OIL POLLUTION COMPENSATION FUND

(In Thousands of Dollars)

FY 86 APPROP	FY 86 AFTER GR CUTS	FY 87 ADMIN REQUEST
1,000	1,000	1,000

Program Description: The Outer Continental Shelf Lands Act Amendments of 1978 require the Coast Guard to perform additional Marine Safety and Environmental Protection missions on the Outer Continental Shelf. Title III of the law provides for an oil pollution compensation fund to pay compensation for damages, including c spill . The fund is derived from a special fee applied to oil produced on the Outer Continental Shelf.

Effect of Budget Request on Program: The President's budget request includes sufficient funds for this program.

DEEPWATER PORT LIABILITY FUND

(In Thousands of Dollars)

FY 86 APPROP	FY 86 AFTER GR CUTS	FY 87 ADMIN REQUEST
1,000	1,000	1,000

Program Description: The Deepwater Port Liablity Fund was established to provide a system for determination and settlement, without fault, of claims for all cleanup costs and damages incurred, but not otherwise compensated, as a result of discharges of oil into the marine environment from deepwater port activities. This fund is derived from fees assessed on oil transferred through a deepwater port.

Effect of Budget Request on Program: The President's budget request includes sufficient funds for this program.

COAST GUARD SUPPLY FUND

(In Thousands of Dollars)

FY 86 APPROP	FY 86 AFTER GR CUTS	FY 87 ADMIN REQUEST
- 0 -	- 0 -	- 0 -

Program Description: The Coast Guard supply fund finances the procurement of uniform clothing, commissary provisions; general store; technical material; and fuel for vessels over 180 feet in length. The fund is normally financed by reimbursements from the sale of goods.

Effect of Budget Request on Program: There is no budget request required for this program, since this fund is normally financed by reimbursements from the sale of goods.

COAST GUARD YARD FUND

(In Thousands of Dollars)

FY 86 APPROP	FY 86 AFTER GR CUTS	FY 87 ADMIN REQUEST
- 0 -	- 0 -	- 0 -

Program Description: This fund finances the industrial operation of the Coast Guard Yard, Curtis Bay, Maryland. The Yard finances its operations out of advances received from Coast Guard appropriations and other agencies for all direct and indirect costs.

Effect of Budget Request on Program: There is no budget request required for this program since this fund is financed by advances received from Coast Guard appropriations and other agencies for all direct and indirect costs.

MISCELLANEOUS TRUST REVOLVING FUNDS

(In Thousands of Dollars)

FY 86 APPROP	FY 86 AFTER GR CUTS	FY 87 ADMIN REQUEST
- 0 -	- 0 -	- 0 -

Program Description: The Coast Guard cadet fund is utilized by the Superintendent of the Coast Guard academy to receive, plan, control and expend personal funds of Coast Guard cadets.

The Coast Guard surcharge collections, sales of commissary stores fund is used to finance expenses incurred in connection with the operation of the Coast Guard commissary stores. Revenue is derived from a surcharge placed on sales.

Effect of Budget Request on Program: There is no budget request required for this program, since this fund is normally financed through revenue derived from a surcharge placed on sales.

GENERAL GIFT FUND

(In Thousands of Dollars)

FY 86 APPROP	FY 86 AFTER GR CUTS	FY 87 ADMIN REQUEST
80	---	80

Program Description: This trust fund, maintained from gifts and bequests, is used for purposes as specified by the donor in connection with the Coast Guard training program (10 U.S.C. 2601).

Effect of Budget Request on Program: There is no budget request required for this program, since this fund is maintained by gifts and bequests.

FY 87
VIEWS & ESTIMATES

PANAMA CANAL

(Agency) PANAMA CANAL COMMISSION
(Agency) CANAL ZONE BIOLOGICAL AREA FUND

(in thousands of dollars)

Program/Account (95-5190-0-2-403) DOT	CBO '87	FY 1986 APPROP.	FY 1986 AFTER GR	FY 1987 ADM. REQUEST	CHANGE FROM '86 APPROP.
Panama Canal Commission (95-5190-0-2-403) DOT	440,000	425,784	407,475 (-18,309)	437,250	+ 11,466
Operations		400,284		409,770	+ 9,486
Capital Improvement		25,500		27,480	+ 1,980
Canal Zone Biological Area Fund (33-8190-0-7-503) DOI	*	143	-5	119	

Program Description:

The Panama Canal Act of 1979 (P.L. 96-70) established the Panama Canal Commission to operate and maintain the inter-ocean waterway. The Commission is self-sufficient (it may not spend more than it collects in revenues from tolls and other service charges) in its operations and makes payments to the Republic of Panama as specified in the Panama Canal Treaty of 1977 and the implementing legislation.

The Operations budget includes all transit operations, supporting services such as supply and logistical services and utilities; all administrative costs of the Commission such as overall direction and administrative expenses; the cost of employee health and education services provided to Commission employees and dependents at Department of Defense facilities; and the interest expense on the investment of the United States Government in the Canal (estimated at $9.7 million for fiscal year 1987).

Fiscal Year 1986 Appropriations:

The fiscal year 1986 appropriation for the Panama Canal Commission budget was $425,784,000; including $400,284,000 for the operation budget, and $25,500,000 for the capital improvement budget.

Supplemental Fiscal Year 1986 Request:

The supplemental appropriation request for fiscal year 1986 contains $1,119,000 for the contingency payment to the Republic of Panama; and, $24,500,000 for vessel accident claims, which will be paid out of funds collected from tolls and set aside for claims.

*Less than one million dollars.

President's Proposed Fiscal Year 1987 Appropriation:

The fiscal year 1987 appropriation request for the Panama Canal Commission is $437,250,000, including $409,770,000 for the operations budget and $27,480,000 for the capital improvement budget.

CANAL ZONE BIOLOGICAL AREA FUND

Program Description:

Donations, subscriptions, and fees are subject to a permanent appropriation in existing law (20 U.S.C. 79(b)) and are used to defray part of expenses of the maintenance and operation of the Canal Zone Biological Area. The fiscal year 1986 funding level was less than one million dollars, as is true of the 1987 funding level. Exact amounts under $1 million are not included in CBO baseline figures. The President's budget requests an appropriation of $143,000 (estimate) in 1986 and $119,000 in 1987. The sequester order is to spend $5,000 less in 1986.

FY 87
VIEWS & ESTIMATES

FISHERIES & WILDLIFE

Department of the Interior
U.S. Fish and Wildlife Service
Proposed FY 1987 Budget

Budget Summary (in thousands of dollars)

APPROPRIATION/ ACTIVITY	1986 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
I. Resource Management	299,665	286,529	285,127
Habitat Resources	47,783	45,727	49,072
Wildlife Resources	135,278	129,207	128,223
Fishery Resources	50,571	48,395	48,039
Endangered Species	30,294	28,991	23,160
General Administration	35,739	34,209	36,633
II. Construction/Anadromous Fish	21,168	20,258	3,113
Construction	19,180	18,355	3,113
Anadromous Fish	1,988	1,903	0
III. Land Acquisition	40,426	38,688	1,500
Refuge Acquisition	38,836	37,166	0
Acquisition Management	1,590	1,522	1,500
IV. Migratory Bird Con. Account	29,310	28,103	16,500
Advance	14,910	14,323	0
Receipts	14,400	13,780	16,500
V. Nat'l Wildlife Refuge Fund	12,601	12,059	12,685
Payment in lieu	5,611	5,370	5,645
Receipts	6,990	6,689	7,040
VI. Sport Fish	122,167	116,914	161,465
VII. Misc. Permanent Approp.	122,729	117,260	96,800
Federal Aid - Wildlife	121,029	115,634	95,000
Proceeds from sales	200	191	200
Op. & Main. of Quarters	1,500	1,435	1,600
VIII. Contributed Funds	4,165	3,986	4,165

COMMITTEE VIEWS AND ESTIMATES

HABITAT RESOURCES/FIELD OPERATIONS

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
22,305	21,345	23,167

Program Description

The Field Operations Program provides fish and wildlife information and recommendations on Federally-sponsored land and water development projects and Federal permit and licensing decisions. The program also provides all of the Service's operational activities concerning the contamination of fish and wildlife resources from polluting substances such as petroleum, pesticides, and other toxic chemicals. The FY '87 request included an additional $280,000 to be directed toward providing pre-development consultation to encourage wetlands protection during project planning, permitting, and licensing. An additional $696,000 will be spent to determine the effects of contaminants on waterfowl, wetlands, and anadromous fish. An additional $257,000 will be directed toward protecting fish and wildlife and their habitat from the adverse effects of paint and non-paint pollutants.

COMMITTEE VIEWS AND ESTIMATES

HABITAT RESOURCES/NATIONAL WETLANDS INVENTORY

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
5,346	5,115	5,313

Program Description

The National Wetlands Inventory involves preparation of wetlands data base in map form. The data base records the characteristics and extent of the nation's wetlands and deepwater habitats. Periodic reports on the status and trends of wetlands are prepared. Benefits to be expected from the national wetlands inventory are development of uniform concepts and terminologies for wetlands, reducing conflicts through more efficient planning, and quick and easy reference for business communities and others in the private sector.

COMMITTEE VIEWS AND ESTIMATES

HABITAT RESOURCES/RESEARCH AND DEVELOPMENT

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
15,467	14,802	16,028

Program Description

The Service's Contaminant Research Program focuses on fish and wildlife resources of high national interest or concern. Wildlife research efforts are conducted at one lab supported by four field research stations. Fishery research is conducted at two national fisheries labs, three subsidiary research labs, and six field stations. The Service conducts applied research directed towards addressing resource issues and fish and wildlife management needs. The Administration's FY '87 request includes an addition of $900,000 to be used to replace outdated equipment, including two more spectrometers needed for contaminants research. An additional $320,000 will be used to expand studies of the effects of contaminated sediments on fish and wildlife inhabiting estuarine areas. Involvement in investigations of the biological effects of acid precipitation will be reduced by $500,000.

COMMITTEE VIEWS AND ESTIMATES

HABITAT RESOURCES/COOPERATIVE RESEARCH UNITS

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
4,665	4,465	4,564

Program Description

The objective of the cooperative research units is to provide a medium for conducting cooperative federal, state, and university research on resource management issues of high priority. The thirty-seven units currently in operation at thirty-one state universities also provide advanced training, technical assistance, and promotion of conservation education.

COMMITTEE VIEWS AND ESTIMATES

WILDLIFE RESOURCES/REFUGE OPERATION AND MAINTENANCE

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
105,554	101,012	96,275

Program Description

This program provides the management, maintenance, and operational expenses for the National Wildlife Refuge System, including provisions of interpretive and recreational facilities where they do not interfere with the purpose of the refuge. The Administration's FY '87 request includes an additional $1,646,000 to be provided for operational funds for 24 new or expanded refuges. An additional $730,000 will be provided for operational funds for existing refuges. Funds to identify refuge water rights will be reduced by $142,000. Funds for refuge maintenance will be reduced by $9,489,000. Funds for visitor facilities in the Kenai National Wildlife Refuge will be reduced by $378,000. Funds to address the needs of the Arctic Goose Education Program will be reduced by $298,000.

COMMITTEE VIEWS AND ESTIMATES

WILDLIFE RESOURCES/LAW ENFORCEMENT AND PROTECTION

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
10,254	9,562	9,708

Program Description

The objective of this program is to inform citizens of appropriate laws and to detect, investigate, apprehend, and refer for prosecution violations of the law and regulations intended to protect domestic and foreign wildlife species protected by treaty, or otherwise under federal jurisdiction, that enter into interstate and international commerce, and to issue permits, when appropriate.

COMMITTEE VIEWS AND ESTIMATES

WILDLIFE RESOURCES/POPULATION MANAGEMENT

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
7,346	7,030	9,180

Program Description

This program element provides national and international direction and coordination of migratory bird management. Population status and forecasts are used to set annual hunting regulations and to guide habitat protection efforts. This element also provides assistance to states and federal agencies to carry out sound wildlife management programs and operation and technical damage control assistance to reduce wildlife-induced damage. The Administration's FY '87 request includes an additional $2,000,000 to be directed toward increasing waterfowl production on and off Service lands through protection of private wetlands, installation of nesting structures, and evaluation of the success of changed regulations. Funding for activities in support of the Western Convention will be reduced $109,000 to the FY 1985 level.

COMMITTEE VIEWS AND ESTIMATES

WILDLIFE RESOURCES/RESEARCH AND DEVELOPMENT

(in thousands of dollars)

1986 ADJUSTED APPROP.	1987 BASE	1987 ADMIN. REQUEST	INC. (+) DEC. (-) FROM BASE	COMMITTEE REQUEST	COMMITTEE CHANGE FROM ADMIN.	COMMITTEE CHANGE FROM 1987 BASE
11,150	10,671	13,060				

Program Description

Wildlife research is conducted in the following major areas: waterfowl population status; waterfowl ecology; wildlife health; nongame species; wildlife ecology on public lands; animal damage control; and marine mammals. The Administration's FY '87 request includes an additional $3,051,000 to be provided to investigate non-hunting causes of waterfowl mortality, waterfowl population models, and census techniques. An additional $300,000 will be provided for maintenance and rehabilitation at three wildlife research laboratories. Funds to continue to collect information for polar bear management will be reduced $297,000. Funds to develop techniques for censusing walrus will be reduced $199,000. Funds to develop an alternative to steel as a non-toxic shot will be reduced $596,000. Funds to study southeastern wildlife diseases will be reduced $225,000.

COMMITTEE VIEWS AND ESTIMATES

WILDLIFE RESOURCES/ALASKA SUBSISTENCE

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
974	932	0

Program Description

This activity will reimburse the state of Alaska for reasonable costs relating to state subsistence programs in accordance with ANILCA. The Administration's FY '87 request proposed to discontinue reimbursements.

COMMITTEE VIEWS AND ESTIMATES

FISHERY RESOURCES/HATCHERY OPERATION AND MAINTENANCE

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
26,347	25,213	23,861

Program Description

The operation of the national fish hatchery system is directed towards producing and distributing fish to meet federal responsibilities to: (1) facilitate restoration of depleted, nationally significant fishery resources; (2) provide for mitigation of fishery resource impairment due to federal water related developments; (3) assist with the management of federal resources on federal and Indian lands; (4) maintain a federal leadership role in a scientifically based management of national fishery resources. The Administration's FY '87 request includes funding for hatchery production for stocking private waters to be reduced by $921,000 by closing or transferring to state operation six hatcheries. Funding for interpretation and recreation activities will be reduced $154,000 by closing aquaria and visitor facilities at six hatcheries. Funding for one-time hatchery maintenance projects will be reduced by $994,000 to return to FY 1985 levels.

COMMITTEE VIEWS AND ESTIMATES

FISHERY RESOURCES/LOWER SNAKE RIVER COMPENSATION PLAN

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
5,631	5,389	6,411

Program Description

The Lower Snake River Compensation Plan will mitigate for fish and wildlife losses resulting from Corps of Engineers water development projects on the Lower Snake River. The essential elements of the compensation plan include construction and operation of fishery facilities, construction and operation of hatchery facilities, and acquisition and development of projects in other lands for public access and habitat development. The Administration's FY '87 request includes an additional $809,000 to be directed toward continuing operational startup at eight hatcheries and to begin operation at one new hatchery to be completed in FY 1987.

COMMITTEE VIEWS AND ESTIMATES

FISHERY RESOURCES/REFUGE OPERATION AND MAINTENANCE

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
2,164	2,071	2,148

Program Description

This program provides cooperative assistance in fishery resource management on national wildlife refuges, especially in Alaska.

COMMITTEE VIEWS AND ESTIMATES

FISHERY RESOURCES/LAW ENFORCEMENT AND PROTECTION

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
2,153	2,060	2,075

Program Description

This program conducts activities to enforce federal laws pertaining to fish, with primary emphasis on international, interstate, and Indian-related fishery activities.

COMMITTEE VIEWS AND ESTIMATES

FISHERY RESOURCES/POPULATION MANAGEMENT

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
2,149	2,057	2,285

Program Description

This program provides technical assistance to federal agencies, Indian tribes, and state agencies on management of fisheries. Predominant emphasis is on anadromous fish data and management methods. The Administration's FY 1987 request includes an increase of $214,000 to enable the Service to quantify fishery-related mitigation requirements at Federal water development projects and lay the foundation for seeking reimbursement from project sponsors.

COMMITTEE VIEWS AND ESTIMATES

FISHERY RESOURCES/RESEARCH AND DEVELOPMENT

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
12,127	11,605	11,259

Program Description

This program provides for the operation of one national fishery research center consisting of five satellite research laboratories, three other major laboratories, and twenty-eight field stations. They provide research on: (1) fish husbandry including health, nutrition, genetics, fish culture technology, chemical and drug-related registration; and (2) ecology, including population dynamics and assessment, relationships between species and their environment, and fish control. The Administration's FY 1987 request includes an additional $110,000 to be provided to collect annual assessment data on fish stocks in support of a court-ordered settlement on Indian fishing rights in the Great Lakes. Funding for equipment at the Gainesville research laboratory will be reduced $149,000. Funding for one-time maintenance projects and equipment replacement at fishery research laboratories will be reduced $248,000. Funding for aquaculture demonstration projects at Leestown, Virginia, will be reduced $200,000.

COMMITTEE VIEWS AND ESTIMATES

ENDANGERED SPECIES/LISTING

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
3,210	3,071	2,937

Program Description

The objective of this program is to identify and list species in danger of extinction (endangered), and those likely to become endangered within the foreseeable future (threatened), using a priority system based on the degree of threat, type of species, and taxonomic status, including the development of a credible data base for justification. The Administration's FY '87 request includes a reduction of $249,000 for status survey work.

COMMITTEE VIEWS AND ESTIMATES

ENDANGERED SPECIES/LAW ENFORCEMENT AND PROTECTION

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
8,648	8,276	7,240

Program Description

This program provides for surveillance to protect against taking of endangered species, inspection at shipping points to reduce illegal international and interstate transportation for listed species, and the detection, investigation, apprehension, and referral for prosecution of violations of the Endangered Species Act. The Administration's FY 1987 request reflects a decrease of $1,193,000 delaying the establishment of a forensic lab and a de-emphasis of the Caribbean, endangered Puerto Rican plain pigeon educational program for FY 1987.

COMMITTEE VIEWS AND ESTIMATES

ENDANGERED SPECIES/CONSULTATION

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
2,614	2,502	2,588

Program Description

This program ensures, through formal and informal consultations, that federal agency actions properly consider listed species and that options are selected which will avoid jeopardizing listed species or destroying critical habitats.

COMMITTEE VIEWS AND ESTIMATES

ENDANGERED SPECIES/RECOVERY

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
6,884	6,588	6,030

Program Description

This program develops and implements recovery programs for endangered and threatened species to the point where they can be removed from the list. Actions include species monitoring, relocation, habitat acquisition, and predator and competitor control. The Administration's FY 1987 request reflects a reduction of $272,000 in refuge operations and maintenance and $482,000 in management activities on off-service lands.

COMMITTEE VIEWS AND ESTIMATES

ENDANGERED SPECIES/RESEARCH AND DEVELOPMENT

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
4,545	4,350	4,365

Program Description

This program develops tools and techniques which will allow more effective management of endangered and threatened species, including in-depth studies of individual species, or groups of species, within a given ecosystem, habitat evaluations, identification of limiting factors, and development of techniques and procedures for coping with specific management problems. The Administration's FY 1987 request reflects a decrease of $49,000 for Black-footed Ferret research and $99,000 for Whooping Crane research.

COMMITTEE VIEWS AND ESTIMATES

ENDANGERED SPECIES/COOPERATION WITH STATES

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
4,393	4,204	0

Program Description

This program provides grant-in-aid, and other assistance to the states, for the development and implementation of state programs for the conservation of endangered and threatened species. The Administration's FY 1987 request will terminate the state grant program for a savings of $4,393,000.

COMMITTEE VIEWS AND ESTIMATES

GENERAL ADMINISTRATION

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
35,739	34,209	36,633

Program Description

This program provides for overall agency executive direction including planning, developing, and managing all operational programs, and representing the interests of fish and wildlife resources. It also provides professional administrative support, such as personnel management, contracting, and general services; financial management, safety, and security. Finally, this element includes the Service's operating overhead accounts, such as base rental, postage, telephone, payroll processing, etc. The Administration's FY '87 decrease of $150,000 will be for administrative support of the National Fish and Wildlife Foundation.

COMMITTEE VIEWS AND ESTIMATES

OPERATION & MAINTENANCE OF QUARTERS/QUARTERS RENTAL

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
1,500	1,435	1,600

Program Description

The FY '85 Interior and Related Agencies Appropriation Act provided that all rents for the user occupancy of quarters be deposited in a special fund in each agency for the maintenance and operation of the quarters of that agency. The increase of $100,000 will cover anticipated rental increases.

COMMITTEE VIEWS AND ESTIMATES

MARINE MAMMAL COMMISSION

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
900	861	848

Program Description

The Commission coordinates marine mammal policy and programs; reviews the status of marine mammal populations; makes conservation recommendations; recommends to the Secretaries of Commerce, Interior, and State steps to conserve marine mammals domestically and internationally; and manages a research program. The FY '87 request is a $13,000 reduction.

COMMITTEE VIEWS AND ESTIMATES

TITLE 1 OF THE SIKES ACT/RECEIPTS

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
1,672	1,603	2,040

Program Description

The Sikes Act provides for cooperative agreements between the Department of Defense, the U.S. Fish and Wildlife Service, and the state fish and game agencies for fish and wildlife management on military reservations. In addition to any amounts directly appropriated, proceeds from the sale of the fishing and hunting permits are used for these programs on 40 Army, 20 Navy and Marine Corps., and 38 Air Force bases charging such fees.

COMMITTEE VIEWS AND ESTIMATES

COUNCIL ON ENVIRONMENTAL QUALITY

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
700	670	820

Program Description

The Council on Environmental Quality analyses important environmental conditions and trends; reviews and appraises Federal Government programs having impact upon the environment; recommends policies for protecting and improving the quality of the environment; assists in coordinating federal environmental programs which involve more than one agency; and assists in the preparation of the President's annual report to the Congress. The Administration's FY '87 request is an increase of $120,000 to ensure that the Council on Environmental Quality is capable of carrying out its legislatively mandated responsibilities.

COMMITTEE VIEWS AND ESTIMATES

CONSTRUCTION AND REHABILITATION/WILDLIFE REFUGES

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
5,622	5,380	0

Program Description

In previous years, this program provided projects for two national wildlife refuges.

COMMITTEE VIEWS AND ESTIMATES

CONSTRUCTION AND REHABILITATION/FISH HATCHERIES

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
4,827	4,619	0

Program Description

In previous years, this program provided projects at two national fish hatcheries.

COMMITTEE VIEWS AND ESTIMATES

CONSTRUCTION AND REHABILITATION/FISHERY RESEARCH FACILITIES

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
5,652	5,409	0

Program Description

In previous years, this element funded construction and rehabilitation activities at fishery research facilities.

COMMITTEE VIEWS AND ESTIMATES

CONSTRUCTION AND REHABILITATION/WILDLIFE RESEARCH FACILITIES

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
75	72	0

Program Description

In previous years, this program funded fire protection and safety improvements at one wildlife research laboratory.

COMMITTEE VIEWS AND ESTIMATES

CONSTRUCTION AND REHABILITATION/DAM SAFETY

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
2,017	1,930	2,790

Program Description

The Dam Safety Program will conduct inspections on dams; and plan, design, and construct corrective action for five dams located in national wildlife refuges. The Administration's FY '87 request for an increase of $2,790,000 will be to cover dam reinspection and implementation of high-priority repairs or planning and design of repairs on four designated dams.

COMMITTEE VIEWS AND ESTIMATES

CONSTRUCTION AND REHABILITATION/ADVANCED PLANNING

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
987	945	323

Program Description

The Capital Development and Maintenance Management is a program to design and implement a computerized system for identifying and managing capital development and maintenance needs, and to initiate advance planning for future construction projects. The Administration's FY '87 request for $323,000 will be for acquisition of a Computer Aided Drafting and Design (CADD) system for the engineering offices.

COMMITTEE VIEWS AND ESTIMATES

ANADROMOUS FISH/GRANTS TO STATES

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
1,988	1,903	0

Program Description

In previous years, the Anadromous Fish Conservation Act provided financial grants to the states and other non-federal entities for projects that contribute to the purposes of the Act. Project funds could be used for construction, research, production, facility operation and maintenance, coordination, and planning. The FY 86 appropriation included $500,000 for an emergency striped bass study. There is no money requested for that study in FY 87.

COMMITTEE VIEWS AND ESTIMATES

NATIONAL WILDLIFE REFUGE FUND

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
5,611	5,370	5,645

Program Description

The National Wildlife Refuge Fund shares with the counties the economic return from service lands to alleviate the taxes lost because of the exempt status of the land holdings. The Administration's FY '87 request includes an additional $34,000 to offset the imbalance between funds available from receipts and payments in lieu of taxes to counties.

COMMITTEE VIEWS AND ESTIMATES

NATIONAL WILDLIFE REFUGE FUND/RECEIPTS

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
6,990	7,040	7,040

Program Description.

Funding is derived from revenues through the sale of products from Service lands less expenses for producing revenues and activities related to revenue sharing. The Administration's FY '87 request anticipates $7,040,000 in revenues in the account.

COMMITTEE VIEWS AND ESTIMATES

CONTRIBUTED FUNDS

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
4,165	3.985	4,165

Program Description

A program to reduce sea lamprey populations in the Great Lakes to not more than 10 percent of the 1958-60 level in compliance with the purposes of the Great Lakes Fisheries Act of 1956.

COMMITTEE VIEWS AND ESTIMATES

LAND AND WATER CONSERVATION FUND/ACQUISITION

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
40,426	38,688	1,500

Program Description

The Service's Land Acquisition Program acquires lands (and interest) which aid in meeting the objectives of several programs; (1) habitat for endangered and threatened species, (2) projects specifically authorized by Congress, and (3) additions to existing wildlife refuges. Funding for this program is under the Land and Water Conservation Fund, which derives from outer continental shelf revenues, sales of federal land, and taxes on motorboat fuels. The Administration's FY '87 request for an increase of $1,500,000 will be to complete Land and Water Conservation Fund acquisitions with carryover funds.

COMMITTEE VIEWS AND ESTIMATES

MIGRATORY BIRD CONSERVATION ACT/WETLANDS LOAN FUND ADVANCE

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
14,910	14,323	0

Program Description

The Service acquires important breeding areas, migration resting places, and wintering areas for waterfowl under terms of the Migratory Bird Conservation Act, and the Migratory Bird Hunting and Conservation Stamp Act. The areas acquired become part of the National Wildlife Refuge System. The migratory bird conservation account also includes receipts from the sale of "duck stamps". For FY '86 the Administration estimates that receipts from sales of duck stamps will amount to $16,500,000. The Wetlands Loan Act provides additional funds for the Migratory Bird Conservation Fund to enable the Service to increase acquisition of wetlands. No funds are being requested to be advanced in FY '87.

COMMITTEE VIEWS AND ESTIMATES

MIGRATORY BIRD CONSERVATION ACCOUNT/RECEIPTS

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
13,780	14,400	16,500

Program Description

The sale of duck stamps and receipts from refuge rights-of-way for oil, gas, and electric transmission lines are used to purchase waterfowl breeding, wintering, and migration habitat. The Administration's request reflects a proposed legislative increase for the sale of duck stamps of $2,000,000 and an anticipated increase in right-of-way receipts of $100,000.

COMMITTEE VIEWS AND ESTIMATES

SPORT FISH RESTORATION/FISH RESTORATION

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
122,167	116,914	161,465

Program Description

The Deficit Reduction Act of 1984 established a sport fish restoration account in the Wallop/Breaux Aquatic Resources Trust Fund to receive the 10 percent excise tax on an expanded number of items of fishing equipment, the import duties on yachts and pleasure boats, and the portion of the motorboat fuels tax remaining after $1 million has been deposited in the Land and Water Conservation Fund, and the unappropriated balance of the $45 million which has been deposited in the Boating Safety account. The sport fish restoration account is subject to the same permanent appropriation carried over from the Dingell/Johnson Program. The Administration's estimate for FY 1987 of $161,465,000 includes a reduction of $5,267,000 in administrative costs that includes a reduction of 26 FTE's. This reduction or savings is proposed to be passed on to the states for their projects in restoration, enhancement, and management of sport fishery resources. The reduction in FTE's will impact on project processing, project monitoring, grant assistance, and overall program support and review.

COMMITTEE VIEWS AND ESTIMATES

FEDERAL AID/WILDLIFE RESTORATION

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	1987 ADMIN. REQUEST
121,029	115,634	95,000

Program Description

The Federal Aid in Wildlife Restoration Act of 1937, commonly called the Pittman-Robertson (P-R) Act, assists the states, Puerto Rico, Guam, the Northern Mariana Islands, American Samoa, and the Virgin Islands in carrying our projects to restore, enhance, and manage wildlife resources, and for the conduct of state hunter education programs. The funds to support these projects are derived from the 11 percent excise tax on firearms, ammunition, and archery equipment, and the 10 percent tax on pistols and revolvers. The Administration's estimate for FY '87 of $95,000,000 includes a reduction of $6,529,000 in administrative costs which includes a reduction of 26 FTE's. This reduction or savings is proposed to be passed on to the states for their projects to restore, enhance, and manage wildlife resources, and for the conduct of state hunter assistance programs. The FTE reduction will impact on project processing, project monitoring, grant assistance, and overall program support and review.

FY 87
VIEWS & ESTIMATES

FISHERIES & WILDLIFE
(continued)

MERCHANT MARINE AND FISHERIES COMMITTEE
SUBCOMMITTEE ON FISHERIES AND WILDLIFE CONSERVATION AND THE ENVIRONMENT
DEPARTMENT OF COMMERCE/NATIONAL MARINE FISHERIES SERVICE -- FY '87 BUDGET

(in thousands of dollars)

	FY 86 APPROP.	1986 ADJUSTED APPROP.	FY 87 ADMIN. REQUEST
I. OPERATIONS, RESEARCH, AND FACILITIES MARINE FISHERY RESOURCE PROGRAMS	162,109	155,118	96,689
A. INFORMATION COLLECTION AND ANALYSIS	95,027	90,929	65,425
1. RESOURCE INFORMATION	68,115	65,177	42,807
2. FISHERY INDUSTRY INFORMATION	8,932	8,547	5,927
3. INFORMATION ANALYSIS AND DISSEMINATION	17,980	17,205	16,691
B. CONSERVATION AND MANAGEMENT OPERATIONS	43,224	41,360	28,300
1. FISHERY MGMT. PROGRAMS	26,686	25,535	13,834
2. PROTECTED SPECIES MGMT.	3,660	3,502	3,718
3. HABITAT CONSERVATION	5,311	5,082	3,059
4. ENFORCEMENT AND SURVEILLANCE	7,567	7,241	7,689
C. STATE AND INDUSTRY ASSISTANCE PROGRAM	23,858	22,829	2,964
1. GRANTS TO STATES	10,500	10,047	0
2. FISHERIES DEVELOPMENT	12,702	12,154	2,964
3. FINANCIAL SERVICES ADMINISTRATION	656	628	0
II. SPECIAL ACCOUNTS			
A. FOREIGN FISHING OBSERVER FUND	4,500	4,306	2,000
B. FISHERMEN'S GUARANTY FUND	3,000	2,871	1,000
C. FISHERMEN'S CONTINGENCY FUND	750	718	0
D. FISHING VESSEL AND GEAR DAMAGE COMPENSATION	0	0	0
E. FISHERIES LOAN FUND	0	0	0
F. SALTONSTALL-KENNEDY FUND	8,007	7,663	0
G. FEDERAL SHIP FINANCING FUND	0	0	0

INFORMATION COLLECTION AND ANALYSIS/RESOURCE INFORMATION

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	FY 87 ADMIN. REQUEST
68,115	$65,117	$42,807

Program Description:

Scientific data and information about renewable resources, including fish, marine mammals, and endangered species, and their habitats, is collected. The information generated provides a basis for conservation and management of living marine resources and their habitats. Without the information collected through such programs it would be impossible to manage marine fisheries.

The cuts proposed by the Administration would adversely affect:

- The collection of basic fishery assessment thereby affecting the ability to manage our fisheries;
- Our knowledge of and data base on fishery habitat;
- The ability to carry out fisheries disease research;
- The management of West Coast fisheries; and
- Our knowledge of and data base on marine mammals.

INFORMATION COLLECTION AND ANALYSIS/FISHERY INDUSTRY INFORMATION

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	FY 87 ADMIN. REQUEST
$8,932	$8,547	$5,927

Program Description:

Information is collected on commercial and recreational harvesting, processing, and marketing of living marine resources from foreign and domestic fishing vessels. Surveys are conducted on fishermen, records of landings, and onshore fishery facilities through cooperation with the states, foreign governments, and the commercial and recreational fishing industry. Effective federal decisions regarding the conservation and management of living marine resources cannot be made without this information.

The cut proposed by the Administration would reduce the collection of basic market, economic, and other information relating to the processing and harvesting sectors thereby making national fishery management policy difficult to make and implement.

INFORMATION COLLECTION AND ANALYSIS/ INFORMATION ANALYSIS AND DISSEMINATION

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	FY 87 ADMIN. REQUEST
$17,980	$17,205	$16,691

Program Description:

Biological, environmental, economic, and statistical information concerning living marine resources is analyzed to identify changes in abundance of various species, assess the status of stocks of significant commercial or recreational value, identify the inter-relationships and consequeces of natural and human induced changes in the marine environment and determine the economic status, trends, and impacts associated with living marine resources under different harvest levels.

This reduction would severly debilitate the eight Regional Fishery Management Councils responsible for managing our fisheries from 3-200 nautical miles thereby resulting in long and short-term economic losses to our fishermen and our Nation.

CONSERVATION AND MANAGEMENT OPERATIONS/PROTECTED SPECIES MANAGEMENT

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	FY 87 ADMIN. REQUEST
$3,660	$3,502	$3,718

Program Description:

This line item provides funds for NMFS programmatic responsibilities under the Marine Mammal Protection Act (MMPA), Endangered Species Act (ESA) as well as responsibilities under the International Whaling Convention (IWC) and the Convention on Conservation of North Pacific Fur Seals.

CONSERVATION AND MANAGEMENT OPERATIONS/PROTECTED SPECIES MANAGEMENT

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	FY 87 ADMIN. REQUEST
$3,660	$3,502	$3,718

Program Description:

This line item provides funds for NMFS programmatic responsibilities under the Marine Mammal Protection Act (MMPA), Endangered Species Act (ESA) as well as responsibilities under the International Whaling Convention (IWC) and the Convention on Conservation of North Pacific Fur Seals.

CONSERVATION AND MANAGEMENT OPERATIONS/HABITAT CONSERVATION

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	FY 87 ADMIN. REQUEST
$5,311	$5,082	$3,059

Program Description:

This line item provides funding for NMFS efforts to provide information and recommendations regarding the environmental impacts of proposed habitat impacts by other federal agencies. NMFS conducts such activities pursuant to the Fish and Wildlife Coordination Act, the National Environmental Policy Act and the Clean Water Act.

This reduction would result in severe reductions in the National Marine Fisheries Service's ability to comment on and make recommendations on activities that adversely affect fisheries habitat. The reduction will inevitably mean that more fishery and wildlife habitat which produces a large part of the commercial sport fish in our Nation will be destroyed or degraded.

CONSERVATION AND MANAGEMENT OPERATIONS/ENFORCEMENT AND SURVEILLANCE

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	FY 87 ADMIN. REQUEST
$7,567	$7,241	$7,689

Program Description:

This line item provides NMFS funding for enforcement activities undertaken pursuant to the Fishery Conservation and Management Act, Marine Mammal Protection Act, Endangered Species Act and other federal statutes and international agreements relating to living marine resources.

Effective implementation of U.S. policy with regard to the conservation and management of fishery resources and other living marine resources cannot be achieved without adequate enforcement.

STATE AND INDUSTRY ASSISTANCE PROGRAMS/GRANTS TO STATES

(in thousands of dollars)

FY 86 APPROP.	ADJUSTED APPROP.	ADMIN. REQUEST
$10,500	$10,047	$0

Program Description:

The Commercial Fisheries Research and Development Act (CFRDA) (P.L. 88-309) provides matching funds to the states for research and development projects regarding commercial fishery resources. New legislation (H.R. 1028) would replace this program with one that focuses strictly on research in support of the management of priority interjurisdictional fishery resources. This legislation has been passed by the House of Representatives. This new program would substantially supplement the collection of resource and fishery data in support of the management of interstate and federal fisheries. Section 4 of the Anadromous Fish Conservation Act (P.L. 89-304) provides matching funds to states for research which facilitates the conservation, development, and enhancement of U.S. anadromous fishery resources. In addition, a special authorization under section 7 of the Anadromous Fish Conservation Act supports an emergency study into the decline of the striped bass.

These programs pass federal funds on to the states which provide matching funds to conduct research projects which directly support federal management needs and national objectives which can often be carried out more efficiently by the states. Without these funds critical information needed for fishery management purposes will not be collected or analyzed.

STATE AND INDUSTRY ASSISTANCE PROGRAMS/FISHERIES DEVELOPMENT PROGRAM

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	FY 87 ADMIN. REQUEST
$12,702	$12,154	$2,964

Program Description:

Under this program, NMFS (1) provides information and services to assist the U.S. fishing industry to gain access to foreign and international markets for U.S. products, and (2) provides services and conducts research on the safety, quality and public health impediments to the full utilizaton of U.S. fishery resources.

This reduction would mean that information designed to locate new markets and products which benefit the seafood industry would no longer be generated. Unless such activities are carried out by private industry, this reduction could adversely affect the competitiveness of the U.S. seafood industry in domestic and international markets.

STATE AND INDUSTRY ASSISTANCE PROGRAMS/ FINANCIAL SERVICES PROGRAM ADMINISTRATION

(in thousands of dollars)

FY 86 APPROP.	ADJUSTED APPROP.	ADMIN. REQUEST
$656	$628	0

Program Description:

Under this program, NMFS administers financial services programs which assist the U.S. fishing industry to fully utilize U.S. fishery resources through the Capital Construction Fund (CCF), the Fisheries Loan Fund (FLF) and the Vessel Construction Subsidy Program.

The Administration proposes to transfer these functions to the Department of Commerce. Without funding for this activity, it would be impossible for the Federal government to administer and manage outstanding loans and obligations in its portfolio.

FOREIGN FISHING OBSERVER FUND

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	FY 87 ADMIN. REQUEST
$4,500	$4,306	$2,000

Program Description:

Foreign fishing vessels operating in the U.S. Fishery Conservation Zone (FCZ) are assessed a special fee which is deposited in this Fund to pay for the cost of placing U.S. observers aboard those vessels. A supplementary observer program can be implemented to the extent appropriations are not sufficient.

Effective implementation of U.S. fisheries conservation and management policy can only be achieved with adequate enforcement. Adequate enforcement of foreign fishing operations can only be achieved with U.S. observers placed on board those vessels. A mix of U.S. government observers and observers contracted for directly by foreign fishing vessel owners is necessary to ensure the credibility of this program.

This reduction would prevent the Administration from capitalizing its Foreign Fishing Observer Fund and would require fishery observers to be contracted for directly by foreign fishing vessel owners or operators. This reduced level of funding may also result in less than 100 percent observer coverage of foreign fishing vessels operating in our Fishery Conservation Zone -- possibly resulting in the under-reporting of the foreign catch thereby resulting in decreased revenues to the Federal government.

FISHERMEN'S GUARANTY FUND

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	FY 87 ADMIN. REQUEST
$3,000	$2,871	$1,800

Program Description:

U.S. distant water fishermen may pay a special fee which is deposited in this Fund which is used to compensate losses incurred by such fishermen as a result of seizures which are made by countries on the basis of jurisdictional claims not recognized by the U.S.

This program is essentially an insurance program administered by the U.S. government and paid for by the U.S. fishing industry.

This reduction will not adversely affect this program unless greater than average claims are made by U.S. fishing vessel owners or operators due to seizures of U.S. vessels by foreign nations.

FISHERMEN'S CONTINGENCY FUND

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	FY 87 ADMIN. REQUEST
$750	$718	$0

Program Description:

The oil and gas industry operating on the Outer Continental Shelf (OCS) is assessed a special fee which is deposited into this Fund and is used to compensate U.S. fishermen for damage to their vessels and gear caused by such OCS exploration and development activities.

The elimination of this program may give rise to increased conflicts between the oil and gas industry and the U.S. fishing industry thereby possibly impeding the development of the oil and gas, and fishery resources of our exclusive economic zone.

FISHING VESSEL AND GEAR DAMAGE COMPENSATION FUND

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	FY 87 ADMIN. REQUEST
$0	$0	$0

Program Description:

Pursuant to Section 10 of the Fishermen's Protective Act, foreign fishing vessels operating in the U.S. Fishery Conservation Zone (FCZ) are assessed a special fee which is deposited in this Fund and used to compensate U.S. fishermen for damage to their vessels and gear resulting from conflicts with foreign and other domestic fishing activities.

Without this program conflicts may arise between foreign and domestic fishermen and, indirectly, it may provide an incentive for foreign vessels not to exercise due care in the deployment of fishing gear.

FISHERIES LOAN FUND

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	FY 87 ADMIN. REQUEST
$0	$0	$0

Program Description:

Foreign fishing vessels operating within U.S. fisheries jurisdiction are assessed a special fee which is deposited in this Fund and is used, subject to appropriations, to assist U.S. fishermen and processors in danger of defaulting on their vessel or shoreside processing facility mortgages. First priority is given to fishermen with federal loan guarantees under the Title XI program, the second priority is given to fishermen with non-federal loan guarantees, and third priority is to assist any fishermen incurring a net operating loss with the payment of operating expenses.

SALTONSTALL-KENNEDY FUND (S-K)
(Promote and Develop Fishery Products and Research)

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	FY 87 ADMIN. REQUEST
$8,007	$7,663	$0

Program Description:

Each year, thirty percent of the tariffs collected on imported fishery products are deposited in the S-K Fund. S-K funds are then used to support NMFS research and, through grants, industry research on U.S. product quality, gear technology and market development in an effort to expand the U.S. fishing industry and to offset the U.S. trade deficit in fishery products.

With no funding for this program the pace at which the U.S. fishing industry develops will be reduced. In addition, it is possible that the position and competitiveness of the U.S. fishing industry on an international and domestic basis could decline. The U.S. currently has a $5 billion trade deficit in fish and fish products and the lack of funding for this budget item may worsen this situation.

FEDERAL SHIP FINANCING FUND

(in thousands of dollars)

FY 86 APPROP.	1986 ADJUSTED APPROP.	FY 87 ADMIN. REQUEST
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Program Description:

This program provides federal guarantees for long-term, low interest loans of private capital for the construction or reconstruction of fishing vessels or shoreside processing facilities thereby facilitating the development of the U.S. fishing industry.

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WILLIAM D. FORD, MICHIGAN, CHAIRMAN

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House of Representatives
Committee on Post Office
and Civil Service
Washington, DC 20515

Telephone (202) 225-4054

February 25, 1986

Honorable William H. Gray III
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

Pursuant to section 301(c) of the Congressional Budget Act of 1974, as amended by Public Law 99-177, there are transmitted herewith the views and recommendations of the Committee on Post Office and Civil Service, together with minority and additional views, concerning the major items in the President's fiscal year 1987 budget which fall within this Committee's jurisdiction. These views and recommendations were circulated among all of the Members of the Committee and were approved by a majority of those Members.

With kind regards,

Sincerely,

William D. Ford

WILLIAM D. FORD
Chairman

Enclosures

WDF:rlp

Committee on Post Office and Civil Service
Views and Recommendations
on Administration's FY 1987 Budget Proposals

I. Federal Employee Pay Increase

Administration Proposal: The President's budget assumes a 3 percent pay increase effective January 1987 for Federal civilian employees, including Federal civilian employees in defense establishments. The President's budget also assumes a 4 percent pay increase effective October 1986 for the uniformed services.

Committee Position: The Committee recommends rejection of the President's proposed pay increase of 3 percent. Instead, the Committee supports a pay raise of 5 percent in January 1987 as provided in the House-passed version of the Omnibus Budget Reconciliation Act of 1985 (H.R. 3500).

The Committee is convinced that a 3 percent pay increase will further aggravate the serious problems relating to the recruitment and retention of competent personnel, especially when this proposal is considered in conjunction with the President's proposal to increase the contribution to the Civil Service Retirement System from 7 to 9 percent in January 1987. Of great concern to the Committee is the loss of vital, experienced Federal workers, such as engineers, scientists, and other high-tech employees to the private sector.

Taken together, the President's proposals for a 3 percent pay raise and a 2 percent increase in retirement contributions would result in less than a $50 annual increase in take-home pay for a typical GS-5 employee, less than $20 for a GS-9 employee, and a net loss of $63 for a typical GS-12 employee. A senior executive at the ES-4 salary level would suffer a net loss of $348. (See GAO letter and fact sheet dated February 20, 1986, Attachment I.)

Over the past 16 years, pay for Federal white-collar workers has risen by 133.25 percent, while military pay has increased by 226.51 percent, and average wages in the private sector have increased by 186.64 percent. Federal white-collar pay has fallen substantially behind the private sector, notwithstanding the clear intention of the Federal Pay Comparability Act of 1970 that General Schedule pay rates remain comparable to wages in the private sector.

It is also important to note that, during the same period, the Consumer Price Index (CPI) has increased by 189.56 percent. Since 1970, Federal white-collar workers have seen their standard of living steadily decline, even though the rate of inflation has been reduced during the past few years. A report prepared for the Committee in December 1984 by the Hay/Huggins Company on total compensation in the Federal, State, and private sector, disclosed that as of March 1984 Federal pay lagged behind private sector pay by 10.3 percent, increasing to 58.4 percent in the case of senior executive salaries. Given the fact that Federal workers did not receive a pay raise in fiscal year 1986, using the Hay/Huggins methodology, Federal pay now lags the private sector by approximately 19 percent.

Finally, the most recent report of the President's Pay Agent found that, under the Federal Pay Comparability Act procedures, salaries for General Schedule employees in 1985 were 19.15 percent behind the private sector. Thus, it is clear from the reports and data discussed above that Federal pay has not kept pace with private sector pay and, in fact, trails the private sector by a wide margin. It is equally clear that Federal workers deserve a substantial pay raise. Nevertheless, the Committee concludes that, because of the severe budget deficit, Federal workers should receive a 5 percent pay raise in January 1987. This amount was approved by the Committee and the House in its consideration of the Omnibus Budget Reconciliation Act of 1985 (H.R. 3500). The conference report on the budget reconciliation act, which is awaiting consideration by the House and Senate, also would permit a 5 percent pay raise in January 1987.

The Committee also is concerned about proposed changes in the 1986 survey of professional, technical, administrative, and clerical wages in the private sector conducted by the Bureau of Labor Statistics and proposed changes in the methodology employed by the Office of Personnel Management for determining the General Schedule pay increase. The Committee is gathering information concerning these changes and, following a full examination of the data, will report its views.

II. Civil Service Retirement COLA Freeze

Administration Proposal: The President proposes to eliminate the January 1987 cost-of-living adjustment (COLA) for civil service retirees and survivors.

Committee Position: The Committee recommends rejection of the President's proposed COLA freeze. Over the past five years, civil service annuitants have suffered a substantial reduction in their annuities, primarily as a result of changes in the COLA provision. In addition, under the provisions of the Gramm-Rudman law, Federal annuitants were denied the January 1986 COLA adjustment. Given the denial of the COLA this year and the reductions which have occurred in prior years, the Committee believes that the January 1987 COLA should be provided in full to civil service annuitants.

III. Civil Service Retirement Revisions

Administration Proposals:

-- The retirement age for unreduced benefits under the Civil Service Retirement System would be raised to 62. Employees could continue to retire at age 55 with 30 years of service, but the benefits would be reduced by 2 percent for each year under age 62 at the time of retirement. Employees who already are age 55 would not be affected, and the proposal would be phased in over four years.

-- Beginning in January 1987, employee and employer contributions to the Civil Service Retirement System would be increased from 7 percent to 9 percent.

-- Beginning in January 1988, the civil service retirement COLA would be limited to the change in the Consumer Price Index less two percentage points.

-- The base on which benefits are computed would be changed from the highest 3 years average salary to the highest 5 years average salary. Employees eligible for retirement or within 3 years of retirement eligibility would not be affected.

-- Civil service survivor, adult student, and minimum benefits would be conformed to similar benefits under social security.

-- The Postal Service and the District of Columbia Government would be required to phase in payment of the full cost of the retirement program for their employees, excluding the employees' contributions.

Committee Position: The Committee recommends rejection of all of these retirement changes.

Initially, the Committee points out that many of these proposals would reduce the value of benefits already earned. In effect, retirement credit earned in the past would be worth less than it is today. The present Administration conveniently overlooks the fact that the Federal Government has a contractual obligation to its employees that derives from the employer-employee relationship. While individuals enter into and continue with Federal employment for a variety of reasons, there can be no doubt that one of the most important factors influencing their decisions is the promise of a predictable and fair retirement benefit based upon their many years of public service. To diminish benefits already earned is patently unfair. These employees are fulfilling their part of the agreement. The Federal Government should do no less.

The Committee presents the following example of the effects of the proposed retirement changes on a typical employee. Assuming that the employee retires at age 61 with 30 years of service and receives an annuity of $15,000, the proposed retirement changes would have the following effects:

1. High-Three to High-Five

The proposal to go from a high-three to a high-five average salary for benefit computation purposes results in a lower salary base and, therefore, a lower annuity. Assuming that an employee's salary is increasing by a modest 3 percent a year over the last five years of the employee's career, a person with a $15,000 annuity would, under the high-five rule, suffer a benefit loss of $428 per year.

2. Two Percent Per Year Pre-Age 62 Reduction

The proposal to penalize early retirees requires a 2 percent benefit reduction for each year an employee is under age 62 at the time of retirement. In the example, retirement at age 61 means a cut of 2 percent or $300 in annual benefits.

3. COLA Limitation

The proposal would limit future COLAs to the increase in the Consumer Price Index (CPI) minus 2 percent. Assuming a 5 percent inflation rate, the first year's COLA would be reduced by $300.

The overall effect of the three proposed benefit reductions would be a loss of $111,767 over the lifetime (life expectancy - age 80) of the typical retiree.

Furthermore, another proposed change would require current employees to contribute more toward these reduced benefits. A typical employee earns $27,000 per year and has 14 years of service. It is proposed that this employee's retirement contribution be increased from 7 to 9 percent. Assuming a 3 percent pay raise each year over the remainder of the employee's career, the employee's contribution would increase by $11,751.

IV. Federal Employees Health Benefits

Administration Proposal: The President proposes a major restructuring of the Federal Employees Health Benefits Program (FEHBP). Under the proposal, each employee would receive a fixed dollar amount toward the purchase of health insurance. Government contributions for employee health insurance would no longer be based on the average premiums of the six largest plans in the program but would be based instead on the GNP deflator. The President's proposal would become effective in 1987.

Committee Position: The Committee recommends rejection of the President's proposal.

Over the past five years, there has been an erosion of Federal employee health benefits under the present Administration. Premiums have increased substantially, and the level of benefits has decreased dramatically. The President's proposal would accelerate this trend and further downgrade the health benefits program.

According to the 1984 report of the Hay/Huggins Company, Federal health benefits, as a percentage of payroll, trail the private sector by 2.2 percent. In addition, an earlier report by William M. Mercer, Inc., stated that the value of benefits under the FEHBP is below the average value of benefits received by employees in private sector and State government plans.

The Committee also recognizes that the recent enactment of H.R. 4061 will result in improvements to the FEHBP. While further changes are warranted, it is clear that the sole objective of the President's proposal is to reduce budget authority and outlays, not to improve the program. The Committee is supportive, however, of legislation which will assure participants of a stable program that offers reasonable and comprehensive health insurance, such as H.R. 4061 and H.R. 156.

V. Performance of Commercial Activities

Administration Proposal: The Administration's budget document entitled "Management of the United States Government: Fiscal Year 1987" contains proposals to reduce spending by converting more commercial activities to performance by contract. Specifically, the budget reflects savings of $926,182,000 and a reduction of 31,490 Full-Time Equivalents in non-Defense agencies over the next six years. Additionally, the Administration plans to exempt some activities from the cost comparison process and designate them for direct conversion to contract.

Committee Position: The Committee believes that the Administration's savings estimates are exaggerated. Hearings before the Committee have established that costs associated with contracting out frequently increase over time. The Committee believes that the Administration needs to document the savings associated with contracting out before any plans to expand the process are pursued. The Committee also believes that exempting activities from the cost comparison process will not produce the savings estimated because contractor performance is not always more efficient than in-house performance. The Committee plans to continue reviewing the A-76 program to determine whether the program achieves its intended goal of increased Government efficiency.

POSTAL ISSUES

VI. Transitional Appropriation to the Postal Service

Administration Proposal: The Administration requests an appropriation of $40 million (as authorized by section 2004 of title 39, U.S.C.) to cover the year's payments by the Postal Service to the Department of Labor for workers' compensation liabilities arising from disabilities suffered by employees of the former Post Office Department prior to the creation of the Postal Service in 1971.

Committee Position: The Committee recommends acceptance of the Administration's request for this appropriation. If the funds are not appropriated, the Postal Service will be required to make the obligatory payment to the Labor Department using general postal revenues. Today's postal ratepayers should not be forced to bear costs incurred prior to the creation of the Postal Service and over which present postal management has no control.

VII. Revenue Forgone Appropriation to the Postal Service

Administration Proposal: The Administration requests that no funds be appropriated to the Postal Service for the "revenue forgone" subsidy of postal rates paid by nonprofit organizations, libraries, rural newspapers, and other "preferred" mailers. The revenue forgone appropriation also funds the "free for the blind and physically handicapped" category of mail. The appendix to the President's budget asserts that legislation will be proposed later that will enable the Postal Service itself to continue, with funds from general postal revenues, the subsidy for most existing subsidized mailers. Such legislation has not yet been introduced.

Committee Position: The Committee recommends rejection of the President's proposal.

The term itself -- "revenue forgone" -- derives from the policy set by Congress long ago that certain types of "preferred" mailers are not to be charged the regular postal rates that most mailers are charged. The Postal Service "forgoes" collecting this revenue from the "preferred" mailers. The Congress then provides this forgone revenue by means of an annual appropriation to the Postal Service. If Congress does not provide a sufficient appropriation in any particular year, the Postal Service is empowered by law (39 U.S.C. 3627) to raise the "preferred" rates to the level necessary to make up the difference -- all the way up to the full commercial rate level. Because of appropriation shortfalls for fiscal year 1986, the Postal Service raised preferred rates in January 1986 by an average of about 30%. Still another rate increase is scheduled for March 9, 1986.

The overwhelming majority of "revenue forgone" dollars each year goes to the benefit of nonprofit organizations, many of whom already are in dire straits because of this year's rate increases. And now the Administration is calling for complete elimination of this program. If no rate subsidy is provided for fiscal year

1987, and the resulting rate increases take effect on October 1, 1986, here is what will have happened to typical preferred rates in the ten month span since December 31, 1985, according to the U.S. Postal Service:

TYPES OF MAIL	POSTAGE INCREASE SINCE 12/31/85 WITH ZERO "REVENUE FORGONE" FOR FY 1987
In County	
Rural Newspaper	172.9%
Second-Class Nonprofit	
Veterans' Magazine; Church Bulletin; University Publication; Labor Press	109.7%
Classroom	
Classroom Publication	155.2%
Third-Class Nonprofit	
Fundraising letter (e.g., Salvation Army; Crippled Children's Society; American Cancer Society)	144.1%
Fourth-Class Library Rate	
Book Between Libraries	74.1%

And finally, there is the startling impact of providing no funding for the blind and handicapped. A 4-ounce cassette recording of a "talking book", which currently bears no postage, would cost 73 cents to mail one way. A carton of braille books would go from zero postage to $2.64.

The Committee believes that rate increases of this magnitude -- especially within a span of a mere ten months -- are simply intolerable. One less drastic approach to reducing the amount of the revenue forgone appropriation would be to examine the existing criteria which determine each mailer's eligibility for rate subsidies. Indeed, this Committee (in the context of the fiscal year 1986 Omnibus Budget Reconciliation Act of 1985) already has endorsed limitations on second-class preferred rate eligibility. Also, the Continuing Appropriations Resolution for fiscal year 1986 contains similar eligibility restrictions. In addition, the independent Postal Rate Commission, at the request of this Committee and the Senate Governmental Affairs Committee, is conducting a study of eligibility criteria. The Commission's report and recommendations to the Committees are due in June of this year.

The Committee certainly does not believe that the President's promise of a legislative proposal at a later date to continue some of these preferred rates presents any justification for acceptance of his request for a zero revenue forgone appropriation. The Committee has not seen this proposal, but apparently it involves paying for the rate subsidies out of general postal revenues -- in other words, increasing first class letter rates and commercial rates to pay for the "revenue forgone" program. This type of "cross-subsidy" has been opposed steadfastly for years by the Postal Service, by mail users, and even by postal competitors.

In fact, the cross-subsidization of rates presently is prohibited by law. Using standard, conservative estimates, cross-subsidizing rates as the Administration evidently will propose could add one cent to the price of a first class stamp just to pay for the fiscal year 1987 subsidy. Presenting the financial data, of course, does not even begin to address the complex legal, economic, and public policy issues raised by the President's cross-subsidy proposal. The Committee recommends rejection of the President's proposal to eliminate the revenue forgone appropriation.

VIII. Increased Postal Service Contribution to the Civil Service Retirement Fund

The Administration Proposal: The Administration recommends that, beginning in fiscal year 1987, the Postal Service increase its contribution to the Civil Service Retirement Fund by an additional 2 percent of payroll each year until it is paying the "full cost" of postal employees' participation. Additionally, the Administration recommends that each postal employee increase his or her contribution by an additional 2 percent of gross pay and that the Postal Service itself match that increase. In effect, then, the Administration is proposing that the Postal Service's contribution be raised from the current level of 7 percent to 11 percent, and that each employee's contribution be raised from 7 percent to 9 percent.

Committee Position: The Committee recommends rejection of the Administration's proposal. If adopted, the Administration proposal will cost the Postal Service $434 million in fiscal year 1987. Using the standard estimate that each $800 million in postal costs equal one cent on a first class stamp, this item alone over the next two years could add a penny to the price of a stamp.

The issue of whether postal employees' and the Postal Service's contributions to the Fund should be raised, lowered, or maintained at their present level is a complex and potentially costly one for every American who buys stamps. One of the cornerstones of the Postal Reorganization Act of 1970 was the agreement that postal employees would remain within the civil service retirement program. This agreement has worked to the benefit of postal management, postal employees, and postal ratepayers by guaranteeing fair benefits while keeping costs stable and predictable. If the civil service retirement program itself is altered, then its impact on the Postal Service -- and on every Federal agency and every Federal employee -- will be altered. But the Committee is not prepared on the basis of the President's proposal to disrupt the existing system and impose these cost burdens on postal ratepayers. The Committee therefore recommends rejection of the proposal.

IX. Require Postal Service to Pay the Government Portion of Health Insurance Costs for All Postal Annuitants

Administration Proposal: The President's budget assumes enactment of a requirement that the Postal Service begin paying, from general postal revenues, the Federal government portion of health insurance costs for all postal annuitants. Presently, these costs are funded from the Treasury. Adoption of this proposal would cost the Postal Service $343 million in fiscal year 1987.

Committee Position: The Committee recommends rejection of the Administration's proposal. The Committee does not object to requiring the Postal Service to pay these costs prospectively -- that is, for future postal annuitants. Indeed, the Committee supports a provision of the conference report on the Omnibus Reconciliation Act of 1985 which, if enacted, would accomplish this.

However, to require today's and tomorrow's Postal Service and postal ratepayers to bear the costs incurred by all postal annuitants -- many of whom retired before the Postal Reorganization Act of 1970 was enacted -- would be an unfair financial burden on the Postal Service and on all postal ratepayers. Adoption of this Administration proposal, especially in conjunction with adoption of the Administration's retirement proposals, undoubtedly would accelerate and steepen the next general rate increase.

The Committee recommends rejection of the Administration proposal.

X. Addendum

The views of the Postal Service: The Committee is attaching hereto copies of an exchange of correspondence between the Chairman and Postmaster General Albert V. Casey concerning the Postal Service's views on the President's Fiscal Year 1987 Budget. Because of the unusually comprehensive and forthright nature of the Postmaster General's response, the Committee is providing copies of this correspondence (See Attachment II) for the consideration of the Committee on the Budget.

Attachments

Attachment I

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

February 20, 1986

B-221977

The Honorable William D. Ford
Chairman, Committee on Post Office
and Civil Service
House of Representatives

Dear Mr. Chairman:

Enclosed is a fact sheet which is provided in response to your February 3, 1986, request for information on how the take-home pay of selected federal employees would be affected by the fiscal year 1987 budget proposals calling for a 3-percent pay raise and a 2 percentage points increase in retirement contributions. Specifically, you wanted to know whether these increases would result in an increase or decrease in the take-home pay of employees at the GS-5, 9, 12, and senior executive level after giving consideration to those payroll deductions which vary by rates of pay. Also, as suggested by your office, we computed federal taxes assuming the employee was married with two dependent children, had no other income, and elected the standard tax deduction.

The fact sheet shows that the annual take-home pay of employees in grades 5 and 9 would increase $43 and $16 respectively. However, the grade 12 employee and the senior executive would have their annual take home pay cut $63 and $348 respectively.

As arranged with your office, we will send copies of this fact sheet to the Director, Office of Management and Budget; and to others who have an interest in this subject.

Sincerely yours,

Roslyn S. Kleeman
Rosslyn S. Kleeman
Associate Director

Effect on Take-Home Pay of 3% Pay Raise and 2% Increase in Retirement Contributions for Selected Federal Employees

	GS-5		GS-9		GS-12		ES-4	
	No changes	With increases	No changes	With increases	No changes	With increases	No changes	With increases
Annual salary[a]	$16,310	$16,799	$24,712	$25,453	$35,835	$36,910	$68,700	$70,761
Deductions:								
Retirement contributions	1,142	1,512	1,730	2,291	2,508	3,322	4,809	6,368
Life insurance premiums[b]	99	99	140	146	198	203	369	380
Medicare taxes	236	244	358	369	520	535	609	609
Federal income taxes[c]	603	666	1,879	2,014	4,237	4,512	15,237	16,020
State income taxes[d]	171	176	420	432	968	997	1,855	1,911
Total deductions	2,251	2,697	4,527	5,252	8,431	9,569	22,879	25,288
Net income	$14,059	$14,102	$20,185	$20,201	$27,404	$27,341	$45,821	$45,473

Footnotes:

[a] 5th step in each GS grade used.

[b] Basic federal employees group life insurance.

[c] Assumes married employee with two children, no other income, and elects standard deduction.

[d] Composite rate applied to annual salary provided by Advisory Commission on Intergovernmental Relations (ACIR) - 1.05% for GS-5, 1.7% for GS-9, and 2.7% for GS 12 and ES-4.

ATTACHMENT II

THE POSTMASTER GENERAL
Washington DC 20260-0010

February 14, 1986

Dear Mr. Chairman:

We wish to respond to your letter of February 6, 1986, requesting our views on Fiscal Year 1987 budgetary issues involving the Postal Service.

The Postal Service's current budget estimate for Fiscal Year 1987, based on present legal requirements, shows a net operating deficit of $440 million. We are determined to take whatever measures are needed to improve this amount so that the deficit would be reduced to zero. Under the outlay accounting system used in the general federal budget, this improvement would reduce the outlay figure shown for the Postal Service by approximately the same $440 million amount.

The Postal Service will adapt to any additional legislative requirements coming out of the federal budget and appropriations process which affect its financial results. The major question is one of timing. Nationwide service responsibilities and the length of the postal ratemaking process preclude the Postal Service from adjusting its operations abruptly to accommodate very large changes in financial requirements within the government's usual fiscal year budgetary focus. Even though appropriation and budget reconciliation measures may not be completed until immediately before, or sometime after, the fiscal year begins, the Postal Service will still require substantial notice in order to prepare to meet its new responsibilities. In order for the Postal Service properly to discharge its revised obligations, the effective date of major new financial obligations must be set at least two years after enactment and those which would affect postage rates very substantially should be phased in over a period of years.

We understand that the Postal Service must pull its own weight and not contribute to the general deficit situation which the Administration and the Congress are trying to resolve. We are certain that you appreciate that. This does not mean that expenses which the general treasury cannot afford should simply be shifted to the postal ratepayer. The Postal Service bears the responsibility to manage its operations so as to keep its prices as moderate as possible. Furthermore, the Postal Service and postal ratepayers should not be expected to assume more than the cost of the services being provided.

With these general observations as prologue, the following comments address each of the specific proposals mentioned in your letter in turn.

1. "The effect of increasing Postal Service payments to the Civil Service Retirement Fund from 7 percent to 9 percent; the impact on the Postal Service of the President's other civil service retirement 'reform' proposals".

The President's budget submission proposes to revise the Civil Service Retirement program to restrain benefit costs and increase employee and employer contributions by two percent each. Concurrently, it proposes to move toward charging the Postal Service (and the District of Columbia's off-budget account but no others) the "full cost" of employee pensions less employee contributions, starting at two percent above the standard employer contribution and increasing by an additional two percent each year. For Fiscal Year 1987 these proposals would increase the retirement contribution required of government employers including the Postal Service from the present seven percent to nine percent. For the Postal Service there would be an additional two percent charge toward meeting "full cost", bringing its total required contribution to eleven percent. The estimated additional cost to the Postal Service for FY 1987 is $434 million.

Currently pending before the Congress is legislation to establish a new retirement program for employees hired after 1983 and to require the Postal Service to "fully fund" the cost of this system for postal employees. The estimated cost to comply with this legislation for FY 1987 is an additional $300 million to $400 million, depending on how differences between Senate and House versions are resolved.

The Postal Service supports efforts by the Administration and the Congress to restrain the cost of federal pensions. Most Postal Service employees are very well paid in comparison to private sector employees. Pensions more generous and costly than are provided for comparable work in the private sector are not warranted for postal employees.

The Civil Service Retirement program is not a fully funded system and would not become one under these proposals. We are troubled by the implications of charging the Postal Service and its employees as if postal employee pensions were fully funded when in fact those payments are merged into the general system so that postal pensions will be payable by a system which continues not to be fully funded. In addition, we are concerned that the Postal Service will not be afforded due process in the determination of the huge amounts to be paid. At a minimum, we believe the Postal Service should have access to the courts or an equally impartial arbiter to resolve any questions which may arise about the amounts which it is asked to pay.

2. "The impact of the proposed payment by the Postal Service of the full costs arising from postal annuitants' participation in the Federal Employees' Health Benefits Program."

The budget proposal calls for the Postal Service and postal ratepayers to assume the cost of health benefit premiums for postal annuitants. Applied to all postal annuitants including those already retired, this proposal would add an estimated $343 million to our costs for Fiscal Year 1987.

The Postal Service has no objection to assuming responsibility for the future annuitant health benefit premiums of its present employees. We do not believe that such premiums for annuitants who retired from the former Post Office Department can properly be considered a cost of postal services now provided which should be charged to present ratepayers. Unfunded liabilities attributable to the operations of the Post Office Department have remained the responsibility of the United States.

Moreover, we believe that any change should be entirely prospective so that postal ratepayers will not be charged for premiums payable for annuitants who have already retired since the establishment of the Postal Service. Under current law ratepayers were not to be charged for these costs because the Postal Service was permitted no control over them. The President's proposal looks beyond the control factor to view taxpayer funding of these premiums as indirect subsidies to postal operations. If this view is accepted, in the case of premiums for employees who have already retired what the taxpayers are subsidizing are the postal services which these employees helped to provide while they were still working. The Postal Service faces a challenging but appropriate assignment to manage its operations in the period ahead so that its services pay for themselves. To add to that load through a change in the rules with respect to the funding consequences of past operations would subject postal ratepayers to a double burden, to pay more than what it costs to provide their present services.

Perhaps because the President's budget recommended approval of the related appropriation, your letter did not specifically mention the matter of the workers' compensation payment due the Department of Labor in Fiscal Year 1987 on account of injuries suffered before postal reorganization by employees of the Post Office Department. We deal with the matter here because the appropriation was not provided for Fiscal Year 1986 and because some in Congress have proposed that the Postal Service should assume this liability. Current law makes these, like other liabilities attributable to postal operations before the 1971 reorganization, liabilities of the United States and not the Postal Service. If the laws were changed to reverse this responsibility, the cost to the Postal Service for Fiscal Year 1987 would be $40,049,000. Each year the Postal Service books as an expense for rate purposes the full increment to its estimated long-term workers' compensation liability which is likely to be incurred as a result of providing service during the year. Postal ratepayers should not be saddled with the additional responsibility to offset the effects of deficit operations before postal reorganization.

3. "The elimination of the authorization for the entire revenue forgone appropriation (including the President's plan to continue some or all of the affected rate subsidies from general postal revenues)."

The President's budget submission proposes to terminate revenue forgone appropriations to the Postal Service but to require the Postal Service to provide certain preferred-rate subsidies. The net effect of this proposal for Fiscal Year 1987 under the Postal Service's accrual accounting system is estimated at a negative $717 million.

We in the Postal Service do not enjoy any official expertise or perspective, beyond the personal feelings which any citizen might have, to enable us to advise the Congress whether current subsidies for particular postage rates should be eliminated or continued. The issues involved are necessarily social and political.

We do have concerns about separating the responsibility for determining what is subsidized from the responsibility to pay for the subsidies, by funding these subsidies from general postal revenues. The Postal Service is required to serve the entire Nation at fair and reasonable rates. Mailers normally must pay their fair share of postage for the services they receive. Current law enables the Congress to assume responsibility for a share of the postage which favored categories of mail would otherwise pay by providing appropriations to cover it. The mailers who are already paying the entirety of their own share should not be expected to shoulder an additional responsibility for part of the postage properly belonging to other mailers if the Congress decides it can no longer afford to fund the subsidies.

In overview, the financial consequences of each of the foregoing items would be substantial for an organization which already needs to realize a $440 million improvement in its projected financial results for Fiscal Year 1987, as we are determined to do. The Postal Service has planned to try to postpone the need for the next general rate adjustment as long as possible. Additional responsibilities of the magnitude of any of the major items mentioned would adversely affect our forecasted cash position so that the next rate filing would need to be advanced. If several of these proposals were approved in their present form, the cumulative effects just in Fiscal Year 1987 could be so large that the Postal Service would be unable to avoid filing for new rates as soon as possible.

In providing our comments to you on these matters, we find it necessary to address a related area which in some ways touches each of the items discussed above. We believe that the recent decision to try to begin dealing with Postal Service financial results "on budget" under standard government outlay accounting both incorrectly portrays the Postal Service's financial picture and undermines the overall efforts to address the federal budget deficit problem. Outlay budgeting provides a distorted, artificial view of our financial situation because it fails to reflect that the Postal Service is funded on the basis of accrual accounting and must break even from its own revenues over a period of years. This artificial recasting of our internal budget affects the rest of the government because the outlays which it shows for the Postal Service influence the achievement of outlay targets for the government as a whole. In addition, to the extent the general effort to reduce the federal deficit counts any of the progress which we expect to make within the Postal Service toward overall outlay targets, that reliance will prove misplaced as our rates adjust themselves to pass along the benefit of internal savings to the postal ratepayers.

The Postal Service already has a balanced budget responsibility in the form of the break-even requirement in the Postal Reorganization Act and cannot wait until 1991 to meet it. Progress by the government toward its deficit reduction targets can be affected by proposals which would place additional charges on the Postal Service, but the break-even requirement will assure that the Postal Service meets its responsibilities without the need to include postal financial results in altered outlay form within the general deficit-reduction process. A change which would place the Postal Service Fund account back off budget where we believe it belongs would have the effect in Fiscal Year 1987 of enabling the general federal budget to realize immediately the benefit of any additional charges which the Postal Service may be required to pay. Under the present on-budget treatment, outlay savings from such changes in funding requirements would not be recognized until the Postal Service could start bringing its outlays and revenues back into balance.

We appreciate your invitation to assist the Committee in its consideration of these matters and will be pleased to provide whatever help we can as the process moves forward.

Sincerely,

Albert V. Casey

Honorable William D. Ford
Chairman, Committee on Post Office
and Civil Service
House of Representatives
Washington, D.C. 20515-0001

WILLIAM D. FORD, MICHIGAN, CHAIRMAN

[illegible]

House of Representatives
Committee on Post Office
and Civil Service
Washington, DC 20515

Telephone (202) 225-4054

February 6, 1986

The Honorable Albert V. Casey
Postmaster General
United States Postal Service
475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-0010

Dear Mr. Postmaster General:

During yesterday's hearing I asked you and Chairman McKean to provide this Committee with the Postal Service's assistance, advice, counsel, and recommendations concerning the President's FY 1987 Budget as it would affect the Postal Service, its employees, and its customers.

I write to stress the urgency of my request. As I noted yesterday, pursuant to the requirements of the Gramm-Rudman Act, this Committee must report its views and recommendations to the Committee on the Budget not later than February 25, 1986. Because of this urgency, and because of the gravity of the postal issues raised by the President's budget, I would appreciate your responding to my request as expeditiously as possible.

Please address each of these budget issues: the effect of increasing Postal Service payments to the Civil Service Retirement Fund from 7 percent to 9 percent; the impact on the Postal Service of the President's other civil service retirement "reform" proposals; the impact of the proposed payment by the Postal Service of the full costs arising from postal annuitants' participation in the Federal Employees' Health Benefits Program; and the elimination of the authorization for the entire revenue forgone appropriation (including the President's plan to continue some or all of the affected rate subsidies from general postal revenues).

I wish to stress again that the Committee needs your assistance, advice, counsel, and recommendations on each of the specific issues and on the overall issue of the budget's impact on the Postal Service, its employees, and its customers. The blanket "deferral" to congressional and presidential judgment which has characterized Postal Service testimony and responses in past years will not suffice in the context of this year's crisis-laden, Gramm-Rudman budget cycle.

On behalf of the Committee, I thank you for your cooperation.

Sincerely,

William D. Ford

WILLIAM D. FORD
Chairman

WDF:jcj

cc: The Honorable John R. McKean

MINORITY VIEWS

Whether we like it or not, the Gramm-Rudman-Hollings Act has made this the year of decision on deficit reduction. It has presented this Congress with a challenge to arrest and to reverse a skein of megabuck spending decisions which have undermined responsive and responsible government.

Minority Members of this Committee stand ready to confront the panoply of issues related to federal pay, retirement, health benefits and postal matters. Regrettably, the Majority once again has opted for a do-nothing response in the non-postal area. We think that is a grave mistake. We sincerely hope the Majority eventually will recognize the need for and the wisdom of broad-based participation in the consideration of Administration budget proposals. We remain convinced sensible deficit reduction must be constructed on a solid bi-partisan foundation.

Our rejection of the Majority's position in this preliminary budget exercise should not be interpreted as unquestioned support for the Administration. The need for fiscal restraint must be balanced with the nation's need for a competent and efficient workforce. The Minority firmly opposes those proposals which unfairly attempt to single out federal employees and retirees. As the Minority we want to work with both the Majority and the Administration to achieve equitable results which meet the required budget goals while ensuring financial integrity and independence for federal employees and retirees.

The President's recommendations concerning retirement issues should be addressed in reference to the developments in the supplemental retirement bill for those federal employees covered by Social Security. Presently, both the House and Senate are in conference concerning the design and cost of the supplemental system. Adoption of the President's proposals concerning the current retirement system would be premature and could sidetrack the conferees in their efforts to draft the supplemental system. We believe that consideration of any needed reforms to the current retirement system should follow the adoption of the supplemental retirement bill in order to avoid inequities between the two systems.

The Minority is concerned with Administration proposals to freeze the cost of living adjustment (COLA) for federal retirees. This group received no COLA for fiscal 1986. Withholding the retirees' annuity increases for a second year in a row could cause undue hardship for those federal annuitants who rely on this fixed income. We recommend that alternatives to a COLA freeze be explored before Congress asks federal retirees to make additional sacrifices in order to meet the Gramm-Rudman-Hollings goals.

The Administration proposals concerning pay and health benefits must be weighed against the need to attract and retain a competent federal workforce. Inequitable treatment between federal civilian and military pay could run counter to the goal of promoting a stable and motivated workforce. Any reforms to the Federal Employee Health Benefits plan should be carefully explored to insure appropriate health coverage for the federal workforce while addressing the goals of the Gramm-Rudman-Hollings Deficit Reduction Act.

In the postal area, we support the continuation of the revenue forgone appropriation which provides for the subsidized rates available to various non-profit organizations, libraries and rural newspapers. This subsidy also provides funds for the blind and visually handicapped. We do find merit in the Administration's proposal that the Postal Service should assume the cost of health benefits coverage for postal annuitants, but we believe this cost should apply only on a prospective basis.

Deficit reduction requires a hard and careful study of all viable proposals. Cost savings must be achieved to reach the budget goals, but these savings must be across the board. Any attempt to single out specific groups as the primary target for deficit reduction would not serve the public interest. The Minority believes the issue of deficit reduction is best resolved in a bi-partisan manner. Across-the-board Majority opposition and Administration intransigience allow no room for maneuverability. Compromise is the key if this Congress is going to meet its legal obligation to produce a fair and fiscally sound budget for the federal workforce.

Dan Burton
Dan Burton

Gene Taylor

John Myers
John Myers

Charles Pashayan, Jr.

James V. Hansen
James Hansen

ADDITIONAL MINORITY VIEWS

Federal pay lags more than 15% behind the private sector because of successive pay caps imposed over the past five years. The President proposes to cap pay at 3% in FY 1987 and delay the effective date from October to January. This 3% raise cannot be considered separate from the 2% increase he proposes in employee contribution to their retirement. It only gives the workers a 1% increase. Accordingly, we don't feel that Federal pay should be capped or delayed. The Federal workforce should experience pay raises equal to the private sector.

The President also proposes to eliminate the January 1987 COLA, and limit future COLA's to CPI-2%. Since 1981, Federal retirees have not received a full COLA even though rising inflation continues to erode their retirement income. Unlike active employees, these retirees depend upon a fixed income which they are hard-pressed to supplement so late in life. By freezing or limiting the only inflation adjustment available to these elderly men and women, the Administration is reducing their pensions by reducing their buying power.

During the past five years, we have seen Congress eliminate the biannual COLA and delay the payment date by linking it to Social Security. This linkage, Congress stated, would protect Civil Service COLA's from future attack. However, Congress last year singled out Federal retiree COLA's from Gramm-Rudman-Hollings cuts while protecting the Social Security COLA. Civilian retirees understand the need for deficit reduction, nevertheless they cannot understand why they continue to be singled out; especially when their Social Security counterparts are protected. Accordingly, we feel that Federal retirees should receive the full Civil Service Retirement COLA each year.

In addition the President suggests increasing employee and employer contributions from 7% to 9% by 1987, penalizing employees for early retirement by reducing their annuity by 2% for each year they retire before age 62, and changing surviving spouse and student benefits to comply with Social Security.

Increased employee contribution to the retirement plan has no relationship to its cost. Unfortunatly this would be the first time in over 50 years that employee contributions have increased without an increase in benefits. Employees would be paying more for less while the federal retirement plan is the only part of the compensation package that compares favorably with the private sector. The successive pay caps and pay freezes, COLA freezes, and high health insurance costs, has left the Federal government little to offer its employees beyond a good retirement system. Accordingly, the President's proposal to limit Civil Service retirement would be a further blow to the workforce. It would reduce the value of accumulated benefits that employees have planned to be available upon their retirement. Our Committee should reject the proposed changes and uphold our long-time commitment to these public servants.

We do not look favorably toward a "voucher" system for health care. A program that would tie the Government's portion to the GNP deflator would lead perhaps to the employee paying more for their benefits or to their enrollment in less expensive, and less comprehensive plans. These are not viable alternatives to the current system.

Finally the President proposes to cut Revenue Forgone. Without this program many non-profit organizations could not continue to make their vital contribution to our nation's education, social and cultural strength. Such valuable organizations as public libraries and countless other important non-profit entities would find it considerably difficult to continue their programs without financial help with their mailings. Accordingly, we feel that the President's suggestion is unwise at this time.

Benjamin A. Gilman

Frank Horton

Frank Horton

Don Young

Don Young

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Committee on Public Works and Transportation
U.S. House of Representatives
Room 2165, Rayburn House Office Building
Washington, DC 20515
Telephone: Area Code 202, 225-4472

February 25, 1986

Honorable William H. Gray, III
Chairman
Committee on the Budget
House of Representatives
Washington, DC

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget and Impoundment Control Act of 1974, as amended, and your letter of February 4, 1986, we are enclosing three copies of the FY 87 Views and Estimates Report of the Committee on Public Works and Transportation.

Today, February 25, the full Committee by voice vote approved the Report and authorized us to transmit the enclosed document to the Budget Committee.

We are transmitting this report in our capacity as Chairman and Ranking Minority Member of the full Committee. While we recognize that we, as well as other Members of the Committee, do not necessarily agree with every aspect of the Report, we do believe that it reflects the views of a majority of the Members and that it represents an overall bipartisan effort.

Every best wish.

Sincerely,

Gene Snyder
GENE SNYDER
Ranking Minority Member

James J. Howard
JAMES J. HOWARD
Chairman

REPORT OF THE

COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION

(Submitted pursuant to section 301(d)
of the Congressional Budget and
Impoundment Control Act of 1974, as amended)

February 25, 1986

Section 301(d) of the Congressional Budget Act, as amended, requires that by February 25 of each year, all standing committees are to submit to the Budget Committees their views and estimates with regard to all matters within their jurisdiction.

These reports, important to the proper functioning of the budget process, are intended to provide the Budget Committees with an early and comprehensive indication of committee funding estimates for the next fiscal year.

This year, however, the Committee has been instructed that the February 25th Report is to include: (1) for programs not requiring legislative action this year, a brief, factual explanation of the President's budget and its implications; (2) for programs for which legislation has passed the House, an explanation of the President's budget within the context of that legislation; and (3) for programs requiring legislative action this year, specific Committee funding estimates.

In addition, the Committee has been instructed that only selected programs are to be addressed; i.e., programs for which the President's budget proposes FY 87 funding of $100 million or more (except where the Committee believes major policy changes are involved).

In formulating this Report, the Committee has attempted to follow these guidelines.

This Report was circulated on February 19 to all Members of the Committee for their review and comment. While the Report reflects a bipartisan effort, the Committee wants to emphasize that not all Members of the Committee necessarily agree with every aspect of the Report.

AVIATION

A. AIRPORT AND AIRWAY TRUST FUND

As a prelude to discussion of the Airport Improvement Program and the Facilities and Equipment Program, the Committee would like to call attention to the fact that aviation users contribute more than enough for full funding of these two capital development programs. The programs place no burden on the general taxpayer and do not contribute to the deficit in the overall budget.

In FY 1987, it is estimated that just over $4 billion in revenue will be received from aviation user taxes and receipts, nearly $265 million more than the full authorized amount for all of the FY 1987 Trust Fund programs.

Although in past years users have contributed enough for full funding of Trust Fund programs, the programs have been underfunded to help offset the deficit of the overall budget. As a result, the Trust Fund at the beginning of FY 1987 will have approximately a $4.3 billion uncommitted surplus or balance - that is $4.3 billion that aviation users have paid in and which has not been spent on needed aviation safety and capacity improvements.

The President's budget request contains some proposed changes to existing law that would have the effect of reducing the surplus in the Trust Fund. These include taking 75 percent of FAA's operating budget from the Trust Fund and forgoing interest payments on the cash balance. These changes are not supported by the

Committee on Public Works and Transportation because they would distort the primary purpose for which the Trust Fund was established: needed capital development and safety improvements to the Nation's aviation system.

As will be discussed in greater detail, it would be a false economy to underfund aviation capital development. If needed development is not undertaken, there will be added congestion and delays, which will probably be accompanied by a decline in safety. Air transportation is vital to the functioning of our economy, and a decline in the quality of air service will have far reaching effects which more than offset the benefits, if any, from creating a surplus in the Airport and Airway Trust Fund to offset the Federal deficit.

B. FACILITIES AND EQUIPMENT

President's Budget Proposal:

The President proposes $825 million for the Federal Aviation Administration's Facilities and Equipment Program.

Analysis:

This is $339 million less than the amount authorized for FY 1987 in the Airport and Airway Improvement Act of 1982. This level of funding will also result in a total FY 1982 - FY 1987 shortfall of $1.2 billion below the total authorized amount.

In 1982, the Congress authorized the Federal Aviation Administration to embark upon a complete modernization of the Nation's air traffic control (ATC), communication, weather information and navigation systems. The purpose of this modernization is to improve the safety of the Nation's air traffic control system as well as to increase its capacity and productivity.

The Federal Aviation Administration has yet to inform the Congress as to what specific Facilities and Equipment programs will be affected by the President's budget proposal, but there is no question that, given the budget proposal, some important programs would have to be deferred and probably curtailed.

This will mean the present capacity problems associated with the Nation's air traffic control system will worsen, thereby hindering growth and productivity of the Nation's economy. More importantly, some current safety concerns will go without response for at least another year.

Not adequately funding this needed capital development will also result in more, not less, government spending in future years because a major purpose of ATC modernization is to achieve tens of billions of dollars in personnel savings from productivity and efficiency improvements. The President's proposal would mean that these savings to the taxpayer would have to be forgone.

C. AIRPORT IMPROVEMENT PROGRAM

President's Budget Proposal:

The President proposes $712 million for airport improvement grants.

Analysis:

This is $305 million less than the amount authorized in the Airport and Airway Improvement Act of 1982 for FY 1987. This level of funding will also result in a total FY 1982 - FY 1987 shortfall of approximately $600 million below the total authorized amount.

The President's budget proposal is in direct contradiction to the well-documented safety and capacity needs of our Nation's airports as outlined in the Federal Aviation Administration's National Plan of Integrated Airport Systems which identifies $18.3 billion in capital development that needs to be accomplished between 1984 and 1993. The Committee believes the President's request is far below the amount required to begin addressing the safety and capacity needs of the Nation's airport system. The lack of adequate runways, taxiways and other airport facilites is already causing costly delays and, in some instances, lessening the level of safety at some airports. Without adequate funding, we can only expect to see these problems become worse.

In short, the President's request would result in artificial, arbitrary constraints on productivity, safety, and growth in aviation with attendent implications for the Nation's economy as a whole. There is no reason to place these constraints on our airport and airway system when aviation users are contributing more than enough to fully fund these capital improvement programs at their authorized levels.

D. NATIONAL TRANSPORTATION SAFETY BOARD

President's Budget Proposal:

The President proposes $21,430,000 for the NTSB's salaries and expenses.

Analysis:

This is a cut of $870,000 from the FY 1986 appropriation and would reuslt in a reduction of 33 staff positions from the current level.

The NTSB is a relatively small agency, but one with very important responsibilities. The NTSB investigates transportation accidents, determines their causes, and makes recommendations for corrective action so that future accidents can be prevented.

This year the Congress will be considering new authorizing legislation for the NTSB and what an adequate level of staffing and funding for FY 1987 and beyond would be. However, in the current authorizing law, Congress determined that the Board needs a minimum of 357 positions (or 347 full time equivalents) in order to adequately carry out its responsibilities. The President's proposal would bring NTSB's staffing down to 324 positions. The Committee believes a cut of this magnitude would hinder NTSB's ability to issue important transportation safety recommendations in a timely manner.

E. PAYMENTS TO AIR CARRIERS FOR GUARANTEED SMALL COMMUNITY AIR SERVICE

President's Budget Proposal:

The President proposes eliminating the funding for the Essential Air Service program.

Analysis:

Under the Airline Deregulation Act of 1978, communities that were listed on an airline's certificate when that Act was passed are guaranteed essential air service for ten years, that is until 1988. Where the essential service cannot be provided profitably, payments are made to air carriers to enable them to provide that service.

The Department of Transportation spent $33.6 million of a $41.4 million appropriation on this program during fiscal year 1985. The President's budget estimates that $37.8 million will be spent during this fiscal year. This comes from a $28 million appropriation and carryover from previous years.

There are now about 50 small commuter air carriers that receive these payments. Approximately 150 communities in 40 states benefit from the program. If the payments were ended as the President proposes, it is likely that most of these communities would permanently lose all their commercial air service and be cut off from the Nation's air transportation system.

In addition, there are more than 400 communities in almost every state, territory and possession that potentially benefit from the essential service payments. These are communities where there is only one air carrier providing service. Under the Deregulation Act, the only carrier at a community cannot end its service without the permission of the Secretary and the Secretary cannot grant that permission until a replacement carrier is found. When a carrier is forced to continue service under this Act, the Secretary must make payments to the carrier under this program to cover its losses.

If the EAS program is terminated at the end of FY 1986, as the President proposes, these carriers could not receive this compensation. As a result, air service at the communities they serve would be placed in jeopardy.

ECONOMIC DEVELOPMENT

A. Economic Development Administration

President's Budget Proposal:

The President's budget recommendations call for the termination of the Economic Development Administration. No funds are proposed for the economic development assistance programs. In addition, the President requests the complete disposition of the remaining appropriations for fiscal year 1986.

A total of $209.5 million was appropriated to carry out the Economic Development Act for fiscal year 1986. $26 million of this amount was allocated for salaries and expenses. This appropriation represents a reduction in funding below the amount of funds available for fiscal year 1985.

Currently, the Economic Development Administration has obligated $34.3 million of its economic development assistance program funds. Of the remaining funds, the President has proposed and requested a rescission of $109.2 million and a deferral of $40 million to be used to support closeout costs for the agency. $7.891 million of the amount withheld for rescission is sequestered pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman). Therefore, the current proposed rescission is $101.309 million. This accounts for all program funds for fiscal year 1986.

Analysis:

EDA programs, which would be eliminated by the President's proposal, were used to fund the following in FY 85:

- --Public works and development grants to construct public facilities such as water and sewer systems, access roads, port facilities, etc., $130 million for 219 projects;
- --Planning grants for development of long-term strategies for stimulating private enterprise and creating jobs, $26.8 million for 501 projects.
- --Technical assistance programs, to provide information and expertise to implement specific projects, 151 projects for $8.8 million (including transfers in from other agencies);
- --Economic Adjustment Assistance grants to help state and local areas develop strategies to overcome sudden and severe economic dislocations and long-term economic deterioration, approximately $33 million for 76 projects; and
- --Research and Evaluation programs to enhance basic knowledge of economic problems leading to a variety of solutions, $8.9 million for 27 projects, which includes $7 million for two demonstration projects.

In 1981, the Committee undertook an extensive overview and assessment of EDA and its programs. Based on these findings, the enabling legislation was completely revised to address criticisms made about the program. This legislation, which authorized funds to continue EDA and its programs, overwhelmingly passed the House in the 97th, 98th and again in the 99th Congress.

Although the Administration is requesting termination of the agency for the 6th consecutive year, the House has consistently supported its continuation. Last year, H.R. 10, which revises and extends the Economic Development Act, was reported by our Committee and passed the House on September 4, 1985, by a vote of 260 to 96.

This legislation places greater emphasis on the private sector, gives more responsibility to state and local governments, and establishes a working private/public partnership to create jobs and expand commerce.

B. Appalachian Regional Development Commission

President's Budget Proposal:

The President has proposed termination of the Appalachian Regional Commission program for FY 1987 and requests a rescission of $81 million of funds appropriated for FY 1986 ($59.4 million in highway program funds and $21.6 million in non-highway program funds). This represents the remaining unobligated amount of the $122.2 million appropriated for FY 1986. The 1986 appropriation is about 20 percent below the amount that was available for FY 1985.

Analysis:

In 1981, the Committee undertook an evaluation of the Appalachian Regional Development program. In 1982, at the request of Congress, the Appalachian Governors proposed a finish-up program at reduced levels of funding. The program includes projects in more than 60 of the region's poorest counties to provide basic services such as drinking water and solid waste disposal, to provide vocational training, and to create jobs. The finish-up plan also includes programs to stimulate regional private investment, job retention and creation, and to complete only essential segments of the Appalachian Regional Highway System.

Termination of the Appalachian Regional Commission and rescission of FY 1986 appropriated funds would eliminate ARC funding for work on the 585 miles remaining of the 2,447 miles included in the revised plan for development highways; new area development programs for jobs and private investment, and for basic services to distressed counties; and Local Development Districts to obtain alternate sources of funds and for technical assistance.

Title II of H.R. 10, the National Development Investment Act, passed by the House last September, provides for an orderly phase-out of the Appalachian Commission as proposed by the appalachian Governors.

PUBLIC BUILDINGS AND GROUNDS

A. GSA: FEDERAL BUILDINGS FUND

President's Budget Proposal:

Included in the President's FY 1987 budget for the Federal Buildings Fund account are funds in the aggregate amount of $2,404,437,000.

Analysis:

The new obligational authority requested for FY 1987 reflects a net decrease of $7.8 million from the amount requested in FY 1986. This change is composed of a $92.2 million or 15 percent decrease in the capital accounts and an $84.4 million or 5 percent increase in the operating accounts.

The FY 1987 capital accounts program reflects a funding reduction as well as a shift in priorities on the part of the General Services Administration. The account for the construction and acquisition of facilities has been reduced by approximately $144 million for the FY 1986 authorized funding level of roughly $244 million. In FY 1987 virtually no funds have been requested for new construction. In lieu of this, emphasis has been placed on the opportunity purchase program and approximately $95 million has been requested for the program.

The FY 1987 program for repairs and alterations to existing buildings has been increased by roughly $112 million over the FY

1986 funding level. Emphasis is being placed on basic repairs to protect the government's real property investment, health and safety improvements to provide Federal workers and the public using Federal facilities a safe environment, and vacant space alterations to improve the utilization of government-owned facilities and reduce leased space requirements and rental costs.

Funding for design and construction services in FY 1987 of approximately $72.4 million reflects a reduction from the FY 1986 level of roughly $61 million. This reduction reflects a decrease in the number of projects, both new construction and advance design for repair and alteration projects, for which funding will be sought in FY 1987 or beyond.

Funds requested by the President for the operations of buildings have increased by nearly $84.4 million. The largest single increase has been for lease costs for rental property which have increased by approximately 6 percent. This increase reflects the rollover of less expensive leases to current market rates and the lease costs for expansion space that will be required during the year.

The FY 1987 funding request for real property operations of $734.4 million is an increase of $24.6 million or 3 percent over FY 1986. This increase reflects the inflationary increase in service contracts and utilities anticipated in FY 1987.

In prior years, both the Congress and the President have imposed freezes on the rent assessed agencies for the space they occupy in GSA controlled facilities. A rent freeze in FY 1987 would result in a revenue loss to the Federal Buildings Fund of approximately $171 million. The current balance in the Fund is roughly $9 million, meaning any reduction in revenue would have a dramatic impact on the entire public buildings program. Adversely impacted by a freeze would be fire and life safety projects, particularly those associated with asbestos removal and PCB, space alteration projects, and the opportunity purchase program. To achieve savings that would be required by a freeze in rent at the FY 1986 level would require a 21 percent reduction in the repair and alteration budget and the elimination of the opportunity purchase program.

SURFACE TRANSPORTATION

The following views and estimates concerning surface transportation have been developed amid great uncertainty over these programs for which the Congress has sought in the past to assure stability, predictability and continuity. Longstanding Congressional policy in the case of the highway program has resulted in the provision of a dedicated funding source (trust fund), contract authority to avoid the uncertainties of the annual appropriations process, and multi-year program authorizations to provide the program with longer term certainty. This treatment is in keeping with the need for orderly planning and execution of costly construction projects, which can take years if not a decade or more to complete. Identical considerations gave impetus to prolonged efforts, ultimately successful with enactment of the Surface Transportation Assistance Act of 1982, to provide similar treatment for the discretionary capital grants component of the public transportation program.

Notwithstanding the need for stability, the process of devising a rational recommendation for the fiscal year 1987 budget -- much less of bringing forth a multi-year extension of authorizations for highway construction, highway safety and public transportation -- is beset by an uncertainty unparalleled in peacetime. First, it is unclear whether the automatic deficit-reduction process envisioned by the Gramm-Rudman-Hollings legislation will survive court challenge, whether program cuts will be administered evenly among affected programs as originally envisioned, and, if not, how these transportation programs will fare under an alternative procedure. Second, it is uncertain whether revenue increases will be enacted, as some are proposing, and what the impact on available transportation revenues would be. For example, an increase in the fuels tax, if an appropriate portion were earmarked for transportation, could yield deficit-reduction benefits while forestalling a particularly damaging reduction; but if the revenues were devoted exclusively to general Treasury revenues for deficit-reduction purposes, this could lead to long-term preemption of the traditional source of user fees on which the Federal programs must rely for any revenue increases in future years and tend to inhibit the ability of states to enact their own fuels tax increases, and so further increase the likelihood that highway conditions around the country will deteriorate. For that matter, it is wholly unclear whether the Congress will act, as has been proposed, to remove the gasohol exemption which reduces Highway Trust Fund revenues by some $450 million per year, a loss expected to escalate to $600 million per year by 1990. Finally, there is even uncertainty over the amount of revenues which can be anticipated from existing sources, owing to recent differences in projections by various agencies. For example, the Committee knows of no projections which have been made based on the recent dramatic decline in oil prices which portend an increase in fuel consumption and so an accompanying increase in trust fund revenues.

A. Federal-Aid Highways

President's Budget Proposal:

The President's budget for fiscal year 1987 provides contract authority out of the Highway Trust Fund chiefly for construction and reconstruction of Federal-aid-eligible highways and bridges, with budget authority of $12.77 billion, outlays of $13.5 billion, and an obligation limitation of $12.4 billion. The budget also assumes enactment of an extensive restructuring of the Federal-aid highway (and public transportation) programs with significant reductions in spending for both.

Analysis:

The budget and accompanying authorizing legislation call for significant changes: (1) budget authority would drop to $12.77 billion from $15.344 billion in fiscal year 1986; (2) the categories of principal Federal interest, Interstate Construction, Interstate reconstruction (4R) and Primary, would be consolidated at a level of $7.8 billion, compared to the FY 86 authorized level, pre-Gramm-Rudman, of $9.585 billion. The distribution of these funds is biased against completion of the Interstate System; (3) several categories of highway funding would be combined to provide $2.2 billion out of the Highway Trust Fund, further combined with $1.22 billion out of the public transit account, to provide a block grant program to finance highway or transit projects at local and state discretion; (4) interest income earned on the balance in the Highway Trust Fund, estimated to reach $1.266 billion in fiscal year 1987, would be retained in the Trust Fund and would not serve as the basis for determining the program level which the Fund can sustain, a disturbing and damaging break with one long-standing precedent; (5) at the same time, the budget proposal calls for repeal of the gasohol exemption; (6) as in the past, the Administration has again proposed that public transportation projects substituted for withdrawn Interstate highway projects be funded out of the Highway Trust Fund and funding for Interstate Substitute projects is significantly reduced, delaying the date that these projects might be completed; (7) funding for the Bureau of Motor Carrier Safety would be increased to significantly expand its safety inspection staff, with funding shifted from general revenues to the Trust Fund (contract authority would be provided for the Bureau's motor carrier safety grants to the states); (8) the obligation limitation would be set at roughly the same level as new budget authority, which at least would not contribute further to the backlog of unobligated apportionments which states are unable to put to work on projects; (9) the Administration's proposal evidently reflects recognition that a stable program over four years is justified, rather than a progressive ratcheting-down under Gramm-Rudman-Hollings.

The Committee sees no reason to abandon the position reflected in its reported portion of H.R. 3500, the Reconciliation Act, to the effect that spending cuts for deficit-reduction purposes should be restricted to those programs which have helped create the budget deficit. These programs do not include the deficit-proof, user-financed transportation programs which contribute greatly to the growth, economic development and cost-effective movement of people and goods. The needs are beyond question, and have been documented by the American Association of State Highway and Transportation Officials as requiring in excess of $20 billion a year annually in Federal investment through the mid-1990s.

The Committee believes that the annual funding of contract authority out of the Highway Trust Fund ought to be a level amount for each of the fiscal years 1987 through 1990 (or 1991 if a five-year bill appears appropriate) and at authorizations which the Trust Fund can sustain. Earlier estimates place that figure at $14.1 billion if the gasohol exemption is retained, and $15 billion if it is repealed. In addition to highways, this figure would include highway safety programs administered by NHTSA at an annual average of $170 million. Again, these prospective funding levels would increase as the declining price of oil stimulates greater receipts into the trust fund.

As stewards of the Nation's surface transportation systems, this Committee is concerned over the very great highway needs that exist. And because we note the revenue levels that can be projected for the trust fund, and that trust fund programs are deficit-proof and operated independently of the general budget, the Committee strongly believes that funding levels for FY 87 must not be for less than the trust fund can support. The Administration proposal is simply, but certainly, inadequate at meeting the Nation's needs.

The Committee would further emphasize that the Administration budget is dependent upon program changes the Committee does not intend to legislate as they would be injurious to the Nation's transportation system.

B. Urban Mass Transportation Administration

President's Budget Proposal:

The President's budget requests authorization of $1.220 billion in contract authority to finance a program severely cut back and restructured (as noted briefly in the above discussion of the budget's highway provisions) and an obligation limitation equal to the authorization level.

Analysis:

As in the case of highway legislation, the budget request proposes significant changes in the funding and nature of this program, which was revised and expanded in 1982. (1) The discretionary capital component of the public transportation program, financing such things as new rail starts, extensions to existing rail systems, modernization of older rail systems, and major bus and bus-related purchases, would be terminated. (2) The revenues derived from the one-cent transit portion of the 1982 fuels tax increase, which has been earmarked for discretionary capital expenditures under the Surface Transportation Assistance Act of 1982, would be rolled into the block grant program mentioned above in connection with highways. This would represent $3.4 billion in block grants available for highway or transit capital purposes (and for public transportation operating purposes in cities under 200,000 in population). This compares to nearly $5.4 billion available in FY 86 for these programs. (3) The existing formula grant program, which permits recipients regardless of the size of the city or metropolitan area to use a portion of its formula funds for operating assistance, would be terminated. (4) General revenue funding for that program, for which $2.150 billion in formula grants was appropriated for fiscal year 86 similarly would end. Of this amount, $870 million could be used for operating assistance in medium and large sized cities. The remainder is to help those cities meet their routine capital needs, and for capital and operating assistance in smaller communities. Under the Administration budget, this program would decline from a level of $3.688 billion in fiscal year 1986 to $1.22 billion in fiscal year 1987.

The Committee notes that the proposed curtailment of the transit program on both the capital and operating sides goes far beyond any proportionate cuts for deficit-reduction purposes. In the case of operating assistance, the Administration is pursuing its long-term efforts to eliminate the program, variously attempted as a long-term phase-out or outright termination. These have been rejected on the basis of the fact that some small and medium-sized systems depend on the Federal operating assistance for their continued existence, and in the absence of such assistance larger cities would be required to raise fares and reduce service levels, both of which would cut ridership and thus reduce the benefits that transit use produces. Some level of operating assistance is essential for many to continue operating the rolling stock in which a considerable public investment has been made. In the case of discretionary capital assistance, the Committee has attempted to authorize a limited number of cost-effective new starts while providing some measure of equity in the form of rail modernization for older cities whose systems were constructed without substantial Federal assistance. In fact, the Administration had been working with the Committee to devise and implement criteria for cost-effective new starts.

For precisely the same reasons cited in the case of highways, the Committee sees no reason to curtail the transit capital program financed by the Mass Transit Account in the Highway Trust Fund. The needs have been estimated by the American Public Transit Association at $7 billion per year (from all sources), versus roughly $3 billion currently available in annual Federal support. Accordingly, the Committee sees no reason to refrain from obligating capital funds at roughly the level sustainable by the Mass Transit Account, which would provide $1.5 billion for each of the fiscal years 1987 and 1988 and $1.8 billion for fiscal years 1989 and 1990. The Committee estimates that over this period, income would exceed outlay by roughly $1 billion. An appropriate balance in Federal transit assistance would dictate a discretionary capital program at the level of available funds, a general-funded formula program, providing roughly $2 billion per year, slightly below the FY 86 level in existing law for capital and operating assistance, and a general-funded Interstate transfer program at roughly current levels.

C. Regulatory Matters

Federal Energy Regulatory Commission (FERC)

President's Budget Proposal:

The President's budget request is for $99,079,000.

The request is offset by $78,754,000 resulting from approximately $52,000,000 in fees currently authorized to be collected and $26,500,000 in proposed revenues to be derived from imposition of annual charges on natural gas companies, electric utilities, and oil piplines.

Analysis:

Collection of the $26.5 million in annual charges assumes enactment of legislation which would enable FERC to collect annual charges in addition to charges it is already authorized to collect.

The collection of these additional annual charges was a source of controversy in the Omnibus Budget Reconciliation Act of 1986. The provision providing for annual charges was dropped in Conference. The Committee opposed imposition of these new charges.

Regarding the FY 87 budget request, the Committee's position remains unchanged.

Research and Special Programs Administration (RSPA)

President's Budget Proposal:

The President's budget request is for $20,024,000.

The request is to be offset by revenues derived from fees and collections to be charged for pipline safety services provided by RSPA. The offset is estimated to be $8,187,000.

Analysis:

This offset assumes enactment of legislation which would enable the Department of Transportation to collect "user fees" from the natural gas and hazardous liquids pipeline industries to cover the cost of the pipeline safety program.

The collection of these "user fees" was a source of controversy in the Omnibus Budget Reconciliation Act of 1986. These "user fees" are authorized in that bill. Although the Committee opposed imposition of these fees based upon public policy and the fact that the Committee has not held hearings on the issue, the Conference adopted the provision allowing their imposition.

The Committee's position on these "user fees" remains unchanged until such time as it holds hearings on the issue and determines whether a change in position is warranted.

WATER RESOURCES

A. Army Corps of Engineers

President's Budget Proposal:

The President's budget proposes the following levels for FY 87:

Flood Control, Mississippi River and Tributaries	BA	298,000,000
	O	294,805,000
General Investigations	BA	127,000,000
	O	125,306,000
Construction, General	BA	1,072,500,000(a)
	O	1,028,599,000
Operation and Maintenance, General	BA	1,420,000,000(b)
	O	1,409,251,000(b)
General Expenses	BA	115,000,000
	O	114,226,000
Flood Control and Coastal Emergencies	BA	25,000,000
	O	23,925,000
Revolving Fund	BA	12,000,000
	O	12,000,000
Rivers and Harbors Contributed Funds	BA	227,000,000
	O	227,000,000
Permanent Appropriations	BA	9,000,000
	O	9,000,000

(a) Includes $26,000,000 from the Inland Waterways Trust Fund.

(b) Includes $12.5 million from Special Recreation Use Fee and $203 million to be appropriated from Port Infrastructure Development and Improvement Trust Fund upon enactment of necessary authorizing legislation.

Analysis:

The President's proposal for flood control, Mississippi River and Tributaries, is $298,000,000, as opposed to the $301,225,000 level estimate for FY 86, a decrease of $3,225,000.

The proposal for General Investigations is $127,000,000, as compared to the FY 86 estimate of $123,478,000.

The Construction, General, account includes funding for construction of water resources projects including the planning, design, and construction of small projects under general authorities available to the Corps of Engineers as well as construction of larger projects requiring specific authorization by the Congress. The President's budget proposal contains $1,072,500,000 in budget authority, compared to the FY 86 estimate level of $879,830,000. The increase is primarily due to new Federal water resources project construction, including 19 new starts in the FY 87 budget proposal and follow-on funding for 41 new starts contained in the FY 85 Supplemental Appropriations Act. In addition, the figure includes $26,000,000 to be appropriated from the Inland Waterways Trust Fund.

Because it has been 16 years since a major construction authorization bill became law, there is a major backlog of worthwhile projects awaiting authorization and funding. Additionally, in recent years there has been an increasingly serious reduction in Corps construction activity and capability. The slowdown in new work threatens the continued vitality of Corps engineering expertise which would be needed in the event of mobilization during a National emergency. The Committee is pleased to note that the Administration's budget request recognizes the need to address important water resource needs in the areas of flood control, port development, and inland waterways improvements - needs which have been neglected for many years. New water resources construction represents necessary investments in the maintenance and improvement of the Nation's infrastructure, and will return benefits in excess of investment costs.

The President's proposal for Operation and Maintenance, General, contains an increase in budget authority from an estimated FY 86 $1.26 billion, to $1.42 billion. A later request will propose an appropriation of $203 million from the proposed Port Infrastructure Development and Improvement Trust Fund and a corresponding reduction in general fund appropriations.

Legislation passed by the House (H.R. 6) and pending in the Senate (S. 1567) calls for collection of new user fees to recover approximately 40 percent of the cost of Federal harbor operation and maintenance costs which would be deposited in the new Trust Fund at an anticipated level of $203 million during FY 87.

The budget proposal is based upon new cost sharing formulas and cost recovery provisions now contained in legislation which has not yet passed the Senate (S. 1567). The House, however, has passed legislation, H.R. 6, which provides increased cost sharing and cost recovery for navigation and flood control projects.

B. Water Pollution Programs

President's Budget Proposal:

The President's budget proposes the following:

EPA Salaries and Expenses	BA O	687,947,000 675,536,000
EPA Abatement, Control and Compliance	BA O	490,785,000 532,474,000
EPA Pollution Control and Abatement Research and Development	BA O	138,631,000 148,829,000
EPA Construction Grants	BA O	1,800,000,000 2,395,200,000
EPA Haz. Substance Response Trust Fund	BA O	1,050,000,000 770,800,000
Advances to Hazardous Substance Response Trust Fund	BA O	33,000,000 33,000,000
EPA Buildings and Facilities	BA O	5,000,000 8,406,000
EPA Scientific Activities Overseas	BA O	0 342,000
Department of Agriculture Rural Clean Water Program	BA O	0 8,000,000
Coast Guard Pollution Fund	BA O	7,000,000 6,793,000
Coast Guard Offshore Oil Fund	BA O	1,000,000 975,000
Coast Guard Deepwater Port Fund	BA O	1,000,000 981,000

Analysis:

I. EPA Salaries and Expenses

This account contains funds for the entire intramural effort to implement the Federal water pollution and water quality laws, including all EPA staff exclusive of grant programs, program specific contractual agreements, and hazardous substance response actions. The President's budget proposal projects $687,947,000 in budget authority for FY 87 and $675,536,000 in outlays. The budget authority is some $33.19 million more than that estimated for FY 86. The outlays for FY 87 are $25.23 million more than those for 1986.

II. Abatement, Control and Compliance

Contracts, grants, and cooperative agreements related to the water quality regulatory program are funded under this account. Management of the construction grants program, assisting States in developing and implementing water programs, and supporting the water permit and enforcement programs are among the areas receiving this support.

The President's budget proposal includes $490,785,000 in budget authority for abatement, control and compliance as compared to $552,763,000 estimated for FY 86. The outlays would increase from $521,241,000 to $532,474,000.

III. EPA Construction Grants

In order to improve water quality and protect public health throughout the Nation, the construction grants program provides grants to municipal and intermunicipal agencies to assist in financing the construction of cost-effective and environmentally sound wastewater treatment facilities. The program also provides funds to assist States in carrying out their responsibilities under the Federal Water Pollution Control Act.

For each of fiscal years 1982 through 1985, Public Law 97-117 authorized $2.4 billion for the construction grants program, plus an additional $200 million to correct certain combined sewer overflows into marine bays and estuaries.

For FY 86, the 1986 Continuing Resolution provided $2.4 billion, of which $600 million is immediately available and the remainder available subsequent to reauthorizing legislation and legislation authorizing the obligation of the funds. Both the House and Senate have passed reauthorizing legislation. The House approved a measure authorizing $12 billion in grant funds through FY 1990 and $9 billion in revolving loan funds through FY 1994. The Senate approved $9.6 billion in grant funds through 1990 and $8.4 billion in revolving loan funds through 1994. Both bills provide no Federal funding after FY 1994.

The President's budget proposal does not include a request for the construction grants program for FY 87. However, a request for $1.8 billion will be made following enactment of pending reauthorizing legislation. This is described as the beginning of a phaseout of the program. The proposal would limit grants to completion of projects under way. The budget proposal further states that, after phaseout, communities will be expected to finance waste treatment facilities with such assistance as State governments may provide. It is understood that the Administration's requested grant levels would be $1.2 billion for FY 88, and $0.6 billion for FY 89, and that no funds would be requested for revolving loan funds.

In February of 1985, the Environment Protection Agency submitted its 7th biennial needs survey. This survey is required to be submitted in each odd-numbered year. The total estimated need for sewage treatment facilities through the year 2000 is $108,900,000,000. Of this, $35,800,000,00 would be Federal monies under existing law. Under the Administration's proposal, States and communities would have to assume an additional amount of $29,800,000,000.

IV. Superfund

The Superfund program is designed to protect public health and the environment from dangers associated with releases of hazardous substances into the environment. The activities include removal actions which are generally of a temporary nature to prevent contamination or to clean up sites presenting a health hazard, and remedial actions which involve permanent measures to eliminate dangers from hazardous wastes. EPA has identified over 18,000 potential hazardous waste sites and estimates that this could reach 22,000. The National Priorities List contains 850 sites either on the list or proposed for inclusion. To date, remedial measures have been completed at six sites. The President's budget proposal includes $1.05 billion for FY 87. This is consistent with the Administration's proposal of a $5.3 billion, 5-year reauthorization.

The Superfund program is currently operating in a greatly reduced fashion because of the lack of reauthorization of the taxing authority which provides funds for the program. The House has passed a $10 billion, 5-year reauthorization and the Senate a $7.5 billion, 5-year reauthorization. The Administration request will be modified if necessary after reauthorization occurs.

V. Rural Clean Water Program

The rural clean water program provides financial and technical assistance in rural areas to control runoff from non-point sources of pollution. The President's budget proposal contemplates $8 million in outlays but includes no budget authority for the program, which is consistent with the budget authority requested by the President in his fiscal years 1984, 1985, and 1986 budgets.

C. Soil Conservation Service

President's Budget Proposal:

The President's budget proposes the following:

Watershed Planning	BA O	6,480,000 6,587,000
River Basin Surveys and Investigations	BA O	9,472,000 9,755,000
Watershed and Flood Prevention	BA O	67,778,000 186,178,000

Analysis

I. Watershed Planning

The watershed planning activity consists of assisting local organizations in the development of a plan for watersheds which do not exceed 250,000 acres. These plans address soil erosion, flooding, water and land management, and sedimentation problems and measures to alleviate them. These plans also include conservation land treatment needed to conserve and protect land, water and related resources.

The President's budget proposal contains $6,480,000 for this program. The requested amount contemplates the termination of the water planning program by the end of FY 1987. No new planning starts would be authorized and no plans would be completed. About 136 plans in progress would remain unfinished and are proposed to be turned over to others to complete.

II. River Basin Surveys and Investigations

Under this program the Soil Conservation Service cooperates with Federal, State, and local agencies in making investigations and surveys of river basins as a basis for the development of coordinated water resources programs. The President's budget proposal contains budget authority of $9,472,000 as opposed to the estimated FY 86 level of $14,180,000 and contemplates termination of this program by the end of 1987. Some 57 river basin studies and 74 floodplain management studies would be turned over to State agencies and local sponsors for completion. The Soil Conservation Service would cease to be responsible for this program early in FY 87. All funds would be used to pay for lump sum annual leave payments, severance pay and other nonrecurring program termination costs.

III. Watershed and Flood Prevention Operation

Under this program, the Soil Conservation Service in cooperation with States and their political subdivisions installs flood prevention measures and watershed works of improvement for the purposes of prevention of soil erosion, flood water retention, prevention of sedimentation damages, and the furtherance of conservation, development, and utilization of water and related resources. The $67,778,000 request in budget authority constitutes a $92,593,000 reduction from the estimated FY 86 level. This request proposes the termination of this program by the end of fiscal year 1987. No new construction starts would be initiated. The budget also proposes a recission of $60,401,000 to begin termination during 1986. These projects, in addition to providing needed protection from floods and erosion, would also have a significant beneficial impact on the control of non-point source pollution with their land treatment and sediment storage provisions, if their construction were to be completed.

D. Tennessee Valley Authority

President's Budget Proposal:

The President's budget proposes the following:

Borrowing Authority	BA	549,180,000
	O	425,000,000
Appropriations	BA	58,038,000
	O	108,313,000

Analysis:

The President's budget proposal for TVA's non-power activities recommends $58,039,000, as opposed to the FY 86 estimate of $99,528,000. This would not affect TVA's power program. It would, however, eliminate most of the Agency's regional development and national demonstration programs.

TVA's national program of fertilizer research would continue under the budget proposal, but at sharply reduced funding levels. No research would be conducted to find agricultural uses for waste materials and the investment in hardwood fuels research would be lost prior to any tangible return.

The proposed budget reduction would end various programs in natural resources, community, economic and agricultural development. Among these programs are those for development of new industry and encouragement of existing industries, the training of workers for new high-skill jobs, increasing incomes for small family farms, the reduction of erosion problems that have resulted from changed farming practices in some Valley areas (including knowledge on causes and solutions of nonpoint pollution), monitoring and improving the region's water quality (including protecting ground water), improving air quality, land and forest resource management, improving fishery and wildlife habitat and populations in cooperation with the States, and operating the 170,000-acre Land Between the Lakes outdoor recreation and environmental education area in western Tennessee and Kentucky.

E. Executive Office of the President

President's Budget Proposal:

The President's budget proposes for FY 87, $100 million in budget authority and $248,538,000 in outlays.

Disaster Relief	BA	100,000,000
	O	248,538,000

Analysis:

Under the Disaster Relief Act of 1974, supplementary assistance is provided to individuals and State and local governments in the event of a Presidentially-declared emergency or major disaster.

The President's budget proposal is expected to meet the needs of the program for fiscal year 1987. The significantly higher level for outlays as opposed to budget authority is attributable to the fact that the President has requested a supplemental appropriation of $250 million for FY 86, from which a substantial carryover is anticipated. The supplement at request is necessitated by the unusually high number of Presidentially declared disasters in the current fiscal year.

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Ninety-Ninth Congress
U.S. House of Representatives
Committee on Rules
Washington, DC 20515

[illegible]

February 25, 1986

The Honorable William Gray III
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I am pleased to transmit the views and estimates of the Committee on Rules concerning the fiscal year 1987 budget, as required by clause 4(g), Rule X of the Rules of the House of Representatives and section 301(d) of the Congressional Budget and Impoundment Control Act of 1974. The Committee does not plan, at this time, to exercise its jurisdiction in a way that would have significant direct impact on the budget for the next fiscal year.

The Committee does plan to continue its review of the congressional budget process. As you know, Gramm-Rudman included a number of changes in the process and the Committee will monitor the effects of those changes.

The President's message of February 5, 1986 contained the second largest package of deferrals in the history of the Impoundment Control Act. Several deferrals appear improper and others are simply attempts to win battles the President lost in the normal legislative process. The President's deferral power may need reexamination in light of the *Chadha* decision and in the face of his questionable use of that power.

The President, in his FY 1987 budget message, renewed his request for a balanced budget constitutional amendment and for the authority to veto separate items in appropriation bills. The President also called for a joint resolution on the budget rather than a concurrent resolution, and he encouraged the Congress to look favorably on proposals for multiyear appropriations and the development of a capital budget.

Most of the President's proposals--the item veto, the joint resolution and multiyear appropriations--are attempts to strengthen the Administration's hand in budget negotiations. The Committee notes the President's bargaining position is already quite strong. The existing authority to impound funds selectively and to veto entire bills, along with his personal prestige and power to persuade, give the President great advantage. Moreover, there is no telling how a more powerful Presidency would affect overall spending; each President would surely use his new found strength to push for his own priorities, whatever they may be.

Here are our preliminary views on the specific requests made by the President:

BALANCED BUDGET CONSTITUTIONAL AMENDMENT

The President's call for a balanced budget amendment to the Constitution does not address the deficit problem facing the nation. Simply stating that a deficit cannot occur will not imbue the Congress with the discipline necessary to make difficult decisions. Indeed, the President has not submitted a budget in any of his years in office that reflects his stated desire for a balanced budget. What is needed is not a balanced budget amendment to the Constitution but real leadership from the President and discipline by the Congress.

LINE-ITEM VETO OF APPROPRIATIONS

It is true, as the President says, that forty-three governors have item-veto authority. But the nature of that authority and the history of its exercise are as varied and colorful as the state flags. Ten governors can reduce appropriation items or strike them entirely; seven governors can return bills to the legislature with amendments; nineteen governors are empowered to exercise a pocket item veto. And in Maryland, the governor has the constitutional authority to veto items in general appropriation bills but the Constitution also guarantees that he can never exercise that authority. The governor initiates all appropriations in an omnibus budget bill and the Maryland legislature is constitutionally restricted in the changes it can make; however, once the legislature adopts the bill, it is immediately enacted. The governor has no opportunity to sign the measure or to veto it, in whole or in part.

State experience with the item veto has often been contentious and litigious, further delaying an already drawn out appropriations process. The item veto has proven to be a tempting opportunity for mischief. One governor recently vetoed all spending for the General Assembly, which was controlled by the other party, but reduced by a small percentage the spending for the Senate which was controlled by his own party. Another governor used the item veto to strike the word "not."

Before we emulate the states, we ought to study more closely their experience with the item veto.

JOINT RESOLUTION ON THE BUDGET

The President also urged changing the budget resolution to a joint resolution subject to Presidential signature. This would clearly involve the President earlier in the budget process. Currently, the President is required to submit his budget to the Congress. Typically, Congress works from the budget submitted by the President. It is important to realize that while the President has substantial input into the budget process, the Budget Act was an attempt to give Congress the chance to structure policy choices in an overall budget framework. This framework by necessity and design is flexible. Requiring the President to sign a budget resolution would most likely invite stalemate over setting Congressional priorities.

MULTIYEAR APPROPRIATIONS

Last year's multiyear funding makes this year's budget harder to control for the President and the Congress. Program managers, however, are often granted broader discretion with multiyear appropriations and it may be for that reason that the executive branch seeks more multiyear funding.

The committee notes that a large and growing portion of the federal budget is not attributable to the appropriation measures for that fiscal year. More than half of the outlays in a given year flow from permanent appropriations that become available without current action by Congress. Another 15% to 20% of the outlays flow from budget authority carried over from prior-year appropriations. Regular appropriations are still made one year at a time but more than half of the annually appropriated accounts receive multiyear, no-year, or advance funding. The proportion of multiyear funding may soon increase. The DOD Authorization Act for FY 1986 (P.L. 99-145) provides that the President shall include in his next budget a single proposed budget for the Department of Defense for fiscal years 1988 and 1989 and shall propose a two-year budget for that Department every other year.

CAPITAL BUDGET

The Committee notes that legislation was recently enacted (The Public Capital Investment Act, P.L. 98-501) to improve the capital budgeting information included with the special analyses in the President's budget.

This Committee looks forward, once again, to working closely with the Committee on Budget. We wish the committee success in the arduous task of putting together a fair and fiscally responsible budget. We hope the information contained herein proves useful.

Warmest regards, and

Always sincerely,

Claude Pepper
Chairman

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U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON SCIENCE AND TECHNOLOGY
SUITE 2321 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-6371

February 25, 1986

Hon. William H. Gray, Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

In compliance with section 301(c) of the Congressional Budget Act, there are transmitted herewith the views and estimates of the Committee on Science and Technology for authorizations resulting in new budget authority and budget outlays for fiscal year 1987 for programs falling under the jurisdiction of the Committee, with the exception of the Department of Energy (DOE). In the attached tables, the Committee's recommendations are compared with the President's budget request and with the CBO baseline. Additional comments are provided in the "Committee Comment" section on the enclosed tables.

The DOE budget numbers will take more time to understand and rectify. For example, the CBO baseline numbers seem to take into account the President's proposed February 1986 deferrals, which have not been approved by the Congress. The Committee will present DOE numbers with recommended new budget authority figures as soon as these discrepancies are understood so that decisions can be properly made.

The budget estimates contained herein represent preliminary subcommittee estimates of program plans and directions, with the benefit of preliminary hearings and extensive preparatory staff work on the FY 1987 budget request.

I hope the information provided will assist your Committee in discharging its responsibilities under the Congressional Budget Act.

Sincerely,

Don Fuqua

DON FUQUA
Chairman

DF/pt

FISCAL YEAR 1986 AUTHORIZATIONS AND REAUTHORIZATIONS
(in millions)

AGENCY	PRESIDENT'S REQUEST		CBO BASELINE		COMMITTEE RECOMMENDATION	
	BA	BO	BA	BO	BA	BO
NASA	7357	7381	7334	7398	9742*	7032*
250	(6751)	(6732)	(6728)	(6783)	(9742)	(7032)
402	(606)	(609)	(606)	(615)		
NSF	1575	1549	1463	1489	1575	1570
NOAA	730	730	690	701		
EPA			283	247	298.5	298.5
NBS	124	126	121	121	149	147
FAA	182	258	182	231		
FEMA	25	21	24	21	29	26
TOTAL, FY 1986 AUTHORIZATIONS	9993	10025	10097	10208	11793.5	9073.5
OTA	17	17	15	15	17	17
OSTP	2.5	2.5	2.5	2.5	2.5	2.5
TOTAL, REQUIRED NEW BUDGET ACTIVITIES WITH PERMANENT AUTHORIZATION	19.5	19.5	17.5	17.5	19.5	19.5
GRAND TOTAL	10012.5	10044.5	10114.5	10225.5	11813	9093

*The figures for the President's request and the CBO Baseline reflect estimates before the Challenger accident. Preliminary estimates put the total impact of the Orbiter loss, including the Orbiter and the replacement items, anomaly resolution and anticipated modifications, at slightly above $3 billion. The Committee Recommendation assumes an emergency supplemental request for the entire loss in FY 1986 with estimated outlay spendout figures in the subsequent years. If there is no emergency supplemental in FY 1986, the Committee would request that $800 million be allocated in FY 1987 for this purpose.

FISCAL YEAR 1987 AUTHORIZATIONS AND REAUTHORIZATIONS
(in millions)

AGENCY	PRESIDENT'S REQUEST		CBO BASELINE		COMMITTEE RECOMMENDATION	
	BA	BO	BA	BO	BA	BO
NASA	7694	7478	7655	7487	7694	8178
250	(6988)	(6826)	(7026)	(6852)	(6988)	(7526)
402	(706)	(652)	(629)	(635)	(706)	(652)
NSF	1691	1631	1541	1535	1691	1631
NOAA	676	676	711	729	728	748
EPA	267		294	263	279	265
NBS	126	125	123	123	139	138
FAA	134	178	193	200	193	200
FEMA	15	14	26	23	25	22
TOTAL, FY 1987 AUTHORIZATIONS	10603	10102	10543	10360	10749	11182
OTA	18	18	15	15	18	18
OSTP	2.25	2.25	2.5	2.5	2.5	2.5
TOTAL, REQUIRED NEW BUDGET ACTIVITIES WITH PERMANENT AUTHORIZATION	20.25	20.25	17.5	17.5	20.5	20.5
GRAND TOTAL	10623.25	10122.25	10560.5	10377.5	10769.5	11202.5

FISCAL YEAR 1988 AUTHORIZATIONS AND REAUTHORIZATIONS
(in millions)

AGENCY	PRESIDENT'S REQUEST		CBO BASELINE		COMMITTEE RECOMMENDATION	
	BA	BO	BA	BO	BA	BO
NASA	8071	7495	8000	7759	8071	8395
250	(7363)	(6802)	(7347)	(7117)	(7363)	(7702)
402	(708)	(693)	(653)	(642)	(708)	(693)
NSF	1756	1694	1627	1589	1756	1694
NOAA	696	696	732	753	750	770
EPA			306	289	291	278
NBS	124	124	126	126	144	144
FAA	127	135	200	188	150	150
FEMA	15	14	27	23	26	23
TOTAL, FY 1988 AUTHORIZATIONS	10789	10158	11018	10727	11188	11454
OTA	18	18	16	16	18	18
OSTP	2.26	2.26	3	3	3	3
TOTAL, REQUIRED NEW BUDGET ACTIVITIES WITH PERMANENT AUTHORIZATION	20.26	20.26	19	19	21	21
GRAND TOTAL	10809.26	10178.26	11037	10746	11209	11475

FISCAL YEAR 1989 AUTHORIZATIONS AND REAUTHORIZATIONS
(in millions)

AGENCY	PRESIDENT'S REQUEST		CBO BASELINE		COMMITTEE RECOMMENDATION	
	BA	BO	BA	BO	BA	BO
NASA	9038	8249	8371	8101	9038	8949
250	(8323)	(7539)	(7691)	(7435)	(8323)	(8239)
402	(715)	(710)	(680)	(666)	(715)	(710)
NSF	1815	1751	1720	1659	1815	1751
NOAA	716	716	755	777	772	792
EPA			319	306	304	289
NBS	124	124	130	129	149	149
FAA	127	123	208	203	150	150
FEMA	15	14	27	24	27	23
TOTAL, FY 1989 AUTHORIZATIONS	11835	10977	11530	11199	12255	12103
OTA	18	18	16	16	18	18
OSTP	2.27	2.27	3	3	3	3
TOTAL, REQUIRED NEW BUDGET ACTIVITIES WITH PERMANENT AUTHORIZATION	20.27	20.27	19	19	21	21
GRAND TOTAL	11855.27	10997.27	11549	11218	12276	12124

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
(in millions of dollars)

MAJOR ISSUE OR PROGRAM
Account: Space Flight (253)
Research and Development
Space Flight, Control, and Data Communications
Research and Program Management
Construction of Facilities

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	3,775	3,777	4,113	4,915
Budget Outlays:	3,809	3,761	3,749	4,332
CBO BASELINE:				
Budget Authority:	3,776	3,932	4,099	4,275
Budget Outlays:	3,827	3,939	4,041	4,214
COMMITTEE RECOMMENDATION:				
Budget Authority:	6,817 (3,776)	3,777 (4,577)	4,113 (5,113)	4,915 (5,715)
Budget Outlays:	4,109 (3,809)	4,461 (4,561)	4,649 (4,749)	5,032 (5,132)
APPROPRIATIONS:	3,776			

COMMITTEE COMMENT: The figures for the President's request and the CBO Baseline reflect estimates before the Challenger accident. Preliminary estimates put the total impact of the Orbiter loss, including the Orbiter and the replacement items, anomaly resolution and anticipated modifications, at slightly above $3 billion. The Committee Recommendation assumes an emergency supplemental request for the entire loss in FY 86 with estimated outlay spendout figures in the subsequent years. If there is no emergency supplemental in FY 86, the Committee would request that $800 million be allocated in FY 87 for this purpose. The resulting figures for this decision are shown in the parentheses.

The $410 billion included in the President's budget request for the Space Station continues the commitment to begin Phase C and D, the development stage of the project. Negotiations are underway with other countries to add to this commitment for a Space Station.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
(in millions of dollars)

MAJOR ISSUE OR PROGRAM
Account: Space Science, Applications, and Technology (254)
Research and Development
Research and Program Management
Construction of Facilities

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	2,092	2,219	2,280	2,360
Budget Outlays:	2,088	2,161	2,200	2,306
CBO BASELINE:				
Budget Authority:	2,119	2,218	2,325	2,442
Budget Outlays:	2,120	2,139	2,269	2,380
COMMITTEE RECOMMENDATION:				
Budget Authority:	2,092	2,219	2,280	2,360
Budget Outlays:	2,088	2,161	2,200	2,306
APPROPRIATIONS:	2,092			

COMMITTEE COMMENT: The Committee generally agrees with the overall budget levels for this subfunction as recommended by the President for FY 87, but recommends minor internal distribution of those funds. Of the President's request of $45 million for NASA's share of the Transatmospheric plane, $22.5 is included in this subfunction. This advanced technology will maintain the U.S. lead in astronautics.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
(in millions of dollars)

MAJOR ISSUE OR PROGRAM
Account: Supporting Space Activities (255)
Research and Development
Space Flight, Control, and Data Management
Construction of Facilities

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	833	992	970	1,048
Budget Outlays:	835	904	853	901
CBO BASELINE:				
Budget Authority:	833	876	923	974
Budget Outlays:	836	774	807	841
COMMITTEE RECOMMENDATION:				
Budget Authority:	833	992	970	1,048
Budget Outlays:	835	904	853	901
APPROPRIATIONS:	833			

COMMITTEE COMMENT: The Committee generally agrees with the overall budget levels for this subfunction as recommended by the President, but recommends minor internal distribution of those funds.

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
Account:

NASA Aeronautical Research & Technology
Research & Development (80-0108-0-1-402)
Construction of Facilities (80-0107-0-1-402)
Research & Program Management (80-0103-0-1-402)

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	606.*	706.	708.	715.
Budget Outlays:	609.	652.	693.	710.
CBO BASELINE:				
Budget Authority:	606.	629.	653.	680.
Budget Outlays:	615.	635.	642.	666.
COMMITTEE RECOMMENDATION:				
Budget Authority:		706.	708.	715.
Budget Outlays:		652.	693.	710.

APPROPRIATIONS: 633. (does not include effect of GRH)

COMMITTEE COMMENT: CBO baseline does not provide for the normal funding peaks and valleys in the research and development component in this account.

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* includes effect of GRH

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
Account:

NATIONAL SCIENCE FOUNDATION
RESEARCH AND RELATED ACTIVITIES
(49 0100 01 251)

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	1,398	1,479	1,537	1,588
Budget Outlays:	1,362	1,426	1,481	1,533
CBO BASELINE:				
Budget Authority:	1,294	1,363	1,439	1,522
Budget Outlays:	1,293	1,335	1,402	1,469
COMMITTEE RECOMMENDATION:				
Budget Authority:	1,398	1,479	1,537	1,588
Budget Outlays:	1,362	1,426	1,481	1,533
APPROPRIATIONS:	1,352			

COMMITTEE COMMENT:

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
Account:

NATIONAL SCIENCE FOUNDATION
SCIENTIFIC ACTIVITIES OVERSEAS (SPECIAL FOREIGN CURRENCY PROGRAM)
(49 0102 01 251)

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	1	1	0	0
Budget Outlays:	3	2	2	1
CBO BASELINE:				
Budget Authority:	1	1	1	0
Budget Outlays:	3	3	3	1
COMMITTEE RECOMMENDATION:				
Budget Authority:	1	1	0	0
Budget Outlays:	3	2	2	1
APPROPRIATIONS:	1			

COMMITTEE COMMENT:

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
Account:

NATIONAL SCIENCE FOUNDATION
SCIENCE AND ENGINEERING EDUCATION ACTIVITIES
(49 0106 01 251)

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	51	89	92	96
Budget Outlays:	61	86	90	92
CBO BASELINE:				
Budget Authority:	53	56	59	63
Budget Outlays:	74	80	61	59
COMMITTEE RECOMMENDATION:				
Budget Authority:	51	89	92	96
Budget Outlays:	82	86	90	92
APPROPRIATIONS:	56			

COMMITTEE COMMENT:

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
Account:

NATIONAL SCIENCE FOUNDATION
U.S. ANTARCTIC PROGRAM
(49 0200 01 251)

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	120	117	122	126
Budget Outlays:	118	112	116	120
CBO BASELINE:				
Budget Authority:	110	116	123	130
Budget Outlays:	114	112	118	125
COMMITTEE RECOMMENDATION:				
Budget Authority:	120	117	122	126
Budget Outlays:	118	112	116	120
APPROPRIATIONS:	115			

COMMITTEE COMMENT:

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
Account:

NATIONAL SCIENCE FOUNDATION
DONATIONS
(49 8960 07 251)

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	5	5	5	5
Budget Outlays:	5	5	5	5
CBO BASELINE:				
Budget Authority:	5	5	5	5
Budget Outlays:	5	5	5	5
COMMITTEE RECOMMENDATION:				
Budget Authority:	5	5	5	5
Budget Outlays:	5	5	5	5
APPROPRIATIONS:	N/A			

COMMITTEE COMMENT:

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Account: Operations, Research, and Facilities (13-1450-0-1-306)

	1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	702.0*	598.0	616.0	634.0
Budget Outlays:	702.0*	598.0	616.0	634.0
CBO BASELINE:				
Budget Authority:	663.0	683.0	703.0	725.0
Budget Outlays:	683.0	703.0	725.0	747.0
COMMITTEE RECOMMENDATION:				
Budget Authority:	--	650.0	670.0	690.0
Budget Outlays:	--	670.0	690.0	710.0

APPROPRIATIONS:

FY 1986 Appropriations -- $663 million

COMMITTEE COMMENT:

Figures above include only two activities under the account -- namely, "Atmospheric Programs" and "Satellite Programs." The Committee's recommendation for FY 1987 is to maintain NOAA programs at FY 86 appropriated levels. Funding for the Next-Generation Weather Radar Program (NEXRAD) is recommended for transferral to account 13-8105-0-7-306, as recommended in the President's budget.

*Includes $50 million supplemental funding request for Landsat.

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Account: Aviation Weather Services Program (13-8105-0-7-306)

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	28.0	78.0	80.0	82.0
Budget Outlays:	28.0	78.0	80.0	82.0
CBO BASELINE:				
Budget Authority:	27.0	28.0	29.0	30.0
Budget Outlays:	18.0	26.0	28.0	30.0
COMMITTEE RECOMMENDATION:				
Budget Authority:	--	78.0	80.0	82.0
Budget Outlays:	--	78.0	80.0	82.0

APPROPRIATIONS:

FY 1986 Appropriations -- $28 million

COMMITTEE COMMENT:

President's request and Committee's recommendation assume transferral of funding for the Next-Generation Weather Radar Program (NEXRAD) from account 13-1450-0-1-306 to this account.

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
ENVIRONMENTAL PROTECTION AGENCY

Account: Research & Development
Pollution Abatement & Control (68-0107-0-1-304)

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	--	139.0*	--	--
Budget Outlays:	--	--	--	--
CBO BASELINE:				
Budget Authority:	161.0	170.0	180.0	190.0
Budget Outlays:	127.0	142.0	163.0	177.0
COMMITTEE RECOMMENDATION:				
Budget Authority:	170.6	151.0	158.0	166.0
Budget Outlays:	170.6	140.0	145.0	151.0

APPROPRIATIONS:

FY 1986 Appropriations -- $166.9 million

COMMITTEE COMMENT:

The Committee recommends a $12 million increase over the President's budget request to support EPA research through grants, contracts and cooperative agreements. The major increase ($6 million) would restore proposed reductions for EPA's long-term environmental research program, which is essential for effective implementation of national environment statutes. The remaining increases restore proposed reductions in areas which address critical issues of public health and environmental protection, including risk assessment relating to the environmental release of genetically-engineered organisms, indoor air pollution, radon mitigation research, and hazardous waste treatment technology research. With the proposed increase, FY 87 funding would remain $19 million below the CBO baseline and $16 million below the FY 86 appropriations level. The outyears project a five percent increase.

Superfund research and development funds (20-8145-0-7-304) are pending reauthorization and are not included in the above estimate.

*Note: President's Request for FY 87 Budget Authority is estimated from EPA budget documents; other figures for President's request were not available at time of submission.

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
ENVIRONMENTAL PROTECTION AGENCY

Account: Salaries & Expenses (Research & Development)
(68-0200-0-1-304)

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	--	128.0*	--	--
Budget Outlays:	--	--	--	--
CBO BASELINE:				
Budget Authority:	122.0	124.0	126.0	129.0
Budget Outlays:	120.0	121.0	126.0	129.0
COMMITTEE RECOMMENDATION:				
Budget Authority:	127.9	128.0	133.0	138.0
Budget Outlays:	127.9	125.0	133.0	138.0

APPROPRIATIONS:

FY 1986 Appropriations -- $127.3 million

COMMITTEE COMMENT:

The Committee recommends funding at the level included in the President's request. Outyears assume a 4% annual increase. The recommended funding level is approximately equal to the FY 86 authorization.

*Note: President's Request for FY 87 Budget Authority is estimated from EPA budget documents; other figures for President's request were not available at time of submission.

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
Account:

NATIONAL BUREAU OF STANDARDS
SCIENTIFIC AND TECHNICAL RESEARCH AND SERVICES
(13 0500 01 376)

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	120	124	123	124
Budget Outlays:	122	123	122	123
CBO BASELINE:				
Budget Authority:	119	121	124	128
Budget Outlays:	119	121	124	127
COMMITTEE RECOMMENDATION:				
Budget Authority:	145	137	143	149
Budget Outlays:	143	136	142	148
APPROPRIATIONS:	124			

COMMITTEE COMMENT: The Committee recommendation for FY 1987 assumes continuation of all existing programs at current (FY 1986 appropriation) levels, plus additional budget authority for new program initiatives contained in the Administration's budget request (e.g. ceramics, fiber-optics, scientific computing, and construction of the Cold Neutron Facility). The recommendation also assumes enactment of legislation, authorizing new programs (e.g. H.R. 2889, The Computer Security Research and Training Act and H.R. 3831/S. 1073, The Japanese Technical Literature Act).

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
Account:

NATIONAL BUREAU OF STANDARDS
WORKING CAPITAL FUND
(13 4650 04 376)

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	4	2	1	0
Budget Outlays:	4	2	2	1
CBO BASELINE:				
Budget Authority:	2	2	2	2
Budget Outlays:	2	2	2	2
COMMITTEE RECOMMENDATION:				
Budget Authority:	4	2	1	0
Budget Outlays:	4	2	2	1
APPROPRIATIONS:	2			

COMMITTEE COMMENT: The amounts shown in this table for the Working Capital Fund are included in the totals for Scientific and Technical Research and Services.

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
Account:

Federal Aviation Administration
Research, Engineering & Development
(Airport & Airway Trust Fund)
(69-8108-0-7-402)

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	182.*	134.	127.	127.
Budget Outlays:	258.	178.	135.	123.
CBO BASELINE:				
Budget Authority:	182.	193.	200.	208.
Budget Outlays:	231.	200.	188.	203.
COMMITTEE RECOMMENDATION:				
Budget Authority:		193.	150.	150.
Budget Outlays:		200.	150.	150.

APPROPRIATIONS: 190. (does not include effect of GRH)

COMMITTEE COMMENT: Current authorization (P.L. 97-248) expires after FY 1987.

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* Includes effect of GRH

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
Account:

FEDERAL EMERGENCY MANAGEMENT AGENCY
FEDERAL FIRE PREVENTION AND CONTROL ACT ACTIVITIES ONLY
(58 0100 01 453)

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	19	9	9	9
Budget Outlays:	16	8	8	8
CBO BASELINE:				
Budget Authority:	19	20	21	21
Budget Outlays:	16	17	17	18
COMMITTEE RECOMMENDATION:				
Budget Authority:	23	19	20	21
Budget Outlays:	20	16	17	17
APPROPRIATIONS:	20			

COMMITTEE COMMENT: The Committee recommendation for FY 1987 would continue funding for all programs in the U.S. Fire Administration and the National Fire Academy at current (FY 1986 CBO Baseline) levels.

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
Account:

FEDERAL EMERGENCY MANAGEMENT AGENCY
EARTHQUAKE HAZARDS REDUCTION ACT ACTIVITIES ONLY
(58 0100 01 543)

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	6	6	6	6
Budget Outlays:	6	6	6	6
CBO BASELINE:				
Budget Authority:	5	6	6	6
Budget Outlays:	5	6	6	6
COMMITTEE RECOMMENDATION:				
Budget Authority:	6	6	6	6
Budget Outlays:	6	6	6	6
APPROPRIATIONS:	6			

COMMITTEE COMMENT:

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
Account:

LEGISLATIVE BRANCH
OFFICE OF TECHNOLOGY ASSESSMENT: SALARIES AND EXPENSES
(09 0700 01 801)

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	17	18	18	18
Budget Outlays:	17	18	18	18
CBO BASELINE:				
Budget Authority:	15	15	16	16
Budget Outlays:	15	15	16	16
COMMITTEE RECOMMENDATION:				
Budget Authority:	17	18	18	18
Budget Outlays:	17	18	18	18
APPROPRIATIONS:	15			

COMMITTEE COMMENT:

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
Account:

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY: SALARIES AND EXPENSES
(11 2600 01 802)

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	2	2	2	2
Budget Outlays:	2	2	2	2
CBO BASELINE:				
Budget Authority:	2	2	2	2
Budget Outlays:	2	2	2	2
COMMITTEE RECOMMENDATION:				
Budget Authority:	2	2	2	2
Budget Outlays:	2	2	2	2
APPROPRIATIONS:	2			

COMMITTEE COMMENT: The Committee recommendation for FY 1987 would continue funding for the Office of Science and Technology Policy (OSTP) at the current (FY 1986 CBO Baseline) level of $2,217,000 in budget authority. The Administration's FY 1987 request for OSTP is $1,671,000 in budget authority, which represents a reduction of 25% from the current level.

(in millions of dollars)

MAJOR ISSUE OR PROGRAM
Account:

Executive Office of the President
National Critical Materials Council
(11-0111-0-1-802)

	FY 1986	FY 1987	FY 1988	FY 1989
PRESIDENT'S REQUEST:				
Budget Authority:	0.5	0.25	0.26	0.27
Budget Outlays:	0.5	0.25	0.26	0.27
CBO BASELINE:				
Budget Authority:	0.5	0.5	1.0	1.0
Budget Outlays:	0.5	0.5	1.0	1.0
COMMITTEE RECOMMENDATION:				
Budget Authority:	0.5	0.5	1.0	1.0
Budget Outlays:	0.5	0.5	1.0	1.0

APPROPRIATIONS: 0.5 for FY 1986

COMMITTEE COMMENT: The Council's activities will strongly impact $1.5 billion in federal materials R&D programs.

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Congress of the United States
House of Representatives
COMMITTEE ON SMALL BUSINESS
2361 Rayburn House Office Building
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AREA CODE 202

February 27, 1985

The Honorable William H. Gray, III
Chairman
Committee on the Budget
A-214 House Office Building Annex 1
U. S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

This is to present the views and estimates of the House Small Business Committee on the budget for the Small Business Administration. This matter was approved at a meeting of the full Committee on February 25th.

Basically, we completely reject the Administration's proposal to abolish the Small Business Administration and "give away" its loan portfolio. Instead, we recommend that the SBA continue in place with its programs frozen at the post Gramm-Rudman 1986 levels, except: nonphysical disaster loans would be eliminated; farmers would be prohibited from seeking disaster loan assistance at SBA; and SBIC and 503 debentures would be sold to private investors instead of to the Federal Financing Bank. We are recommending that this freeze continue in place for all three years.

1. SBA should be preserved as an independent agency. The President has proposed to eliminate the Small Business Administration except for a few advocacy, procurement, technical assistance and minority enterprise activities which would be transferred to the Department of Commerce. The small business community is very important to our economy as the Nation's job creator, thereby reducing unemployment, and its inherent costs, and increasing tax revenue. We believe that it is only through SBA's continued existence as an independent agency that small businesses will continue to prosper and grow and make their contributon to the national economy.

This sentiment also is shared by those who attended preliminary State White House Conference meetings conducted to date. Of the first thirty-two State conferences, twenty recommended that the SBA be continued; six assumed that the agency would continue as they recommended improvements in specific programs; four recommended substantial changes and then, impliedly, continuation of the agency;

one recommended periodic evaluation of SBA; and one did not mention SBA.

2. Maintain the loan portfolio for normal collection. By the end of 1986, it is estimated that SBA will have outstanding in its loan portfolio some $9.4 billion. The Administration proposes to sell these assets over four years for a yield of $2.537 billion, of which $899 million is projected as income in 1987. We do not believe that this is a viable proposal as the return is much too low. It would be much preferable to collect repayments on these loans as they become due and thereby realize a considerably higher return in lieu of the proposed fire sale.

3. Guaranteed loans should be preserved. A major function of SBA is to make capital available for those small businesses which cannot normally secure financing in the private sector. In addition to its general business loan program, SBA has specialized programs to help businesses owned by socially and economically disadvantaged individuals, businesses owned by or employing primarily the handicapped, businesses owned by veterans, businesses in need of long-term fixed asset financing, and businesses in the area of marketing new energy and energy conservation technology.

Most SBA financial assistance is provided in the form of guarantees of commercial loans. Such guarantees can be for as much as 90 percent of the loan up to a maximum amount of $500,000. The interest rates on guaranteed loans are negotiated between the borrower and lender, subject in most areas to a maximum of 2 3/4 percent above the prime rate. Through Fiscal Year 1985 SBA has approved 348,000 guaranteed loans for $32.8 billion. The agency's budget for guaranteed loans in Fiscal Year 1986 is $3.235 billion.

4. Targeted direct loans should be maintained. Certain targeted applicants who cannot obtain commercial loans, even with a government guarantee, are eligible to apply for SBA direct loans. These loans are in most cases limited to $150,000, and their interest rate is determined by a formula relating to the government's cost of borrowing. As of December 31, 1985 the interest rate on these loans was 10 7/8 percent. Through Fiscal Year 1985 SBA has approved 170,000 loans for $6.5 billion. The agency's budget for Fiscal Year 1986 is $57 million, of which 14.4 million is for handicapped, $24 million is for minorities and 19.1 million is for disabled and Vietnam era veterans. The direct loan program other than targeted loan categories has been eliminated and total direct loans have been reduced by 75 percent since 1980.

5. Small Business Investment Companies should be preserved. There has been a continuing need for venture capital for new and growing small businesses. Small business historically has been the seedbed for new technological development and expansion. An important source of this venture capital has been SBA's Small Business Investment Company (SBIC) Program.

SBIC's supply equity capital and long-term loan financing to small firms for expansion, modernization, and sound financing of their operations. They may also provide management assistance. They are licensed, regulated and, in part, financed by SBA, but their transactions with small companies are private arrangements and have no connection with SBA. An SBIC finances small firms in two general ways--by straight loans and by venture capital or equity-type investments. The Committee also notes that SBICs also provide private capital to the amount supplied by SBA and thus although SBA provided $265 million to SBICs in Fiscal Year 1985, the SBIC industry made 2,800 small business financings for $435 million.

6. Minority Enterprise Small Business Investment Companies should be preserved.

SBA also administers a Minority Enterprise Small Business Investment Company (MESBIC) Program similar to the SBIC program. MESBICs are specialized SBICs which agree to make investments solely in small business concerns which will contribute to a well-balanced national economy by facilitating ownership in such concerns by persons whose participation in the free enterprise system is hampered because of social or economic disadvantages. MESBICs also provide private capital to the amount supplied by SBA and thus although SBA provided $44 million to MESBICs in 1985, the MESBIC industry made 1,450 small business financings for $108 million.

7. Physical Disaster Loans should be preserved. The Small Business Administration provides loan assistance to disaster victims, including homeowners, businesses, and nonprofit institutions. When disaster strikes it is important that damaged property be replaced or repaired and businesses be provided with adequate working capital for recovery as soon as possible. SBA disaster loans serve this purpose and minimize disruptions of jobs, business revenues, and taxes. In so doing, they play a vital role in restoring the economic health of a disaster-stricken community, often making the difference in the survival of business necessary to that recovery. The agency's budget for physical disaster loans in Fiscal Year 1986 is $478.5 million.

8. Nonphysical disaster loans should be eliminated. The SBA currently provides loan assistance in a category known as nonphysical disaster loans. These financings are made available to assist small busineses who suffer a loss of business due to the PIK program, to those who suffer a loss of business due to currency fluctuations such as the Peso devaluation, and to small businesses who are injured by a Federal program. In 1985 $51 million was loaned under this progam but we still recommend it for elimination.

9. Farmers should be prohibited from seeking disaster loan assistance. Under existing law, farmers are eligible to seek disaster loan assistance from SBA only if they are ineligible for or would be declined for financial assistance at substantially similar interest rates from FmHA. We recommend that they be prohibited from seeking disaster loan assistance from SBA under any circumstances as this will save the SBA almost $500 million per year.

10. Surety bond guarantees program should be continued. Small business contractors and subcontractors who seek public (and some private) construction jobs are often required to furnish surety bonds. SBA can assist such contractors by extending a guarantee to a surety of up to 90 percent against loss in order to make bonding more easily obtainable. Bid bonds as well as payment and/or performance bonds may be guaranteed on contracts of up to $1,000,000. The agency's budget for Fiscal Year 1986 is $1.067 billion. This is a reduction of more than 30 percent since 1980.

11. Pollution control guarantee program should be preserved. The Small Business Administration, in cooperation with commercial banks and State agencies, helps small businesses obtain long term (up to 30 years) and low interest rate financing for required pollution control facilities. SBA is authorized to issue a guarantee of the payments of rentals or other amounts due under qualified contracts with respect to the planning, design, financing, or installation of pollution control facilities. The agency's budget for Fiscal Year 1986 is $48 million. This is a reduction of more than 50 percent since 1980.

12. Salaries and expenses should be maintained. At the end of 1985, SBA had 3,794 permanent employees, a reduction of almost 14 percent from the 1980 level. The 1986 budget is $290 million and we believe this amount should be continued.

13. SBIC debentures should be sold to private investors. Debentures issued by small business investment companies (and

guaranteed by SBA) are now sold to the Federal Financing Bank. In addition to freezing them at the 1986 level (as discussed at item five above) we recommend that they should be privatized and be sold only to private investors.

14. 503 debentures should be sold to private investors. Public Law 96-302 authorized SBA to guarantee principal and interest on debentures issued by a State or local development company (i.e., section 503 debentures). The proceeds of these debenture sales are used to assist small businesses in financing plant acquisition, construction, conversion, or expansion, including the acquisition of land. The debentures issued by the 503s are now sold to the Federal Financing Bank. In addition to freezing them at the 1986 level (as discussed at item three above) we recommend that they should be privatized and be sold only to private investors.

We believe that SBA should continue to contribute to deficit reduction, even though we also believe the agency has already contributed its fair share. Thus we would also recommend a freeze of these levels in 1988 and 1989. It is our understanding that the impact of these recommendations would be scored by the Congressional Budget Office as providing a savings of some $2.9 billion in 1987 and the two succeeding years.

Best wishes,

Parren

Parren J. Mitchell
Chairman

PJM:tpk

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NINETY-NINTH CONGRESS

G.V. (SONNY) MONTGOMERY
CHAIRMAN

U.S. House of Representatives
COMMITTEE ON VETERANS' AFFAIRS
335 CANNON HOUSE OFFICE BUILDING
Washington, DC 20515

February 27, 1986

Honorable William H. Gray III
Chairman
Committee on the Budget
U. S. House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

We are transmitting to you the views and recommendations of the committee relating to the Administration's fiscal year 1987 budget request.

The committee met this morning and, with a quorum present, adopted the enclosed report. Total budget authority for function 700 under our proposal would be set at $27.2 billion - $567.1 million above the President's request. We are recommending outlays totaling $27.1 billion - exceeding the President's request by $699 million. It should be noted that the committee recommendation is $102 million below the adjusted CBO budget authority baseline and $111 million above the adjusted baseline in outlays.

We urge the Committee on the Budget to include funds that are necessary to maintain benefits and services as follows:

Medical Care and Construction

The committee rejects the President's request to reduce employment in VA hospitals by 8,848 FTEE during the next fiscal year. The VA medical care budget recommended by the committee is $9.591 billion in budget authority. This represents an increase of $507.017 million to the proposed Administration budget and would restore 8,848 FTEE for a total of 193,941 FTEE. The 193,941 FTEE level was mandated by the Congress in Public Law 99-160, the HUD-Independent Agencies Appropriation Act for fiscal year 1986 and in Public Law 98-371, the HUD-Independent Agencies Appropriation Act for fiscal year 1985.

The committee recommends that $23 million be added to the VA construction program budget for a total of $431.170 million. This addition represents the restoration of funds for two nursing home projects at Tampa, Florida and Hampton, Virginia; site acquisition for the Palm Beach County VA Hospital; and design funds for the Pittsburgh VA Hospital (Aspinwall Division) project. There are no alternative sources of nursing homes in these locations and the need for the two hospital projects has long been well-documented.

The total budget authority recommended for medical care and construction is actually below the CBO current services baseline.

The committee is expected to propose legislation to prohibit the Administration from declaring excess 109 acres of VA property at the West Los Angeles Medical Center and 46 acres at the VA Medical Center at Sepulveda. Compared to the President's budget, the cost is $360 million (presumably in both budget authority and outlays) in function 800, General Government.

This proposal came out of the Office of Management and Budget and not the Veterans Administration. The VA was not aware of the OMB mandate until it received its FY 1987 budget passback and was given only three days in which to respond. The Office of Management and Budget relied on outdated GSA surveys without any substantive input by the agency.

In addition, the General Counsel of the agency has suggested that a possible cloud exists on the Government's title at West Los Angeles which would obviously cause great delay in any effort to sell the property. There is very strong opposition in the local communities and the State and local veterans organizations to the sale of these properties.

Education, Training and Employment

The committee plans to consider H. R. 3747, a bill that would provide educational assistance for apprenticeship or other on-the-job training under the New GI Bill, and the committee specifically requests that new entitlement authority, if required, be included in the budget resolution that is reported to the House.

In addition, the committee strongly disagrees with the Administration that the New GI Bill should be repealed. Recent hearings have indicated such action would have a severe adverse impact on the ability of our active and reserve forces to recruit and retain quality personnel. You should know that any legislative initiative to repeal the program will be referred to our committee and we plan to take no action on any such proposal. It is our understanding the Committee on Armed Services has advised you that it, too, is opposed to any such repeal request.

Compensation, Pension and Insurance

The committee plans to move legislation to provide for a 3.7% cost-of-living adjustment in compensation and DIC benefits as proposed by the Administration.

Housing and Memorial Affairs

The committee rejects the Administration's proposed legislation to double the user fee paid by veterans to obtain a home loan, and requests that $131 million in outlays be included in the budget resolution for this "savings". A similar measure was rejected by our committee and your committee last year.

The committee will take no action to reduce the $150 plot allowance now paid for the burial of certain non-service-connected veterans, and requests that $31.2 million be restored to VA's budget for this "savings".

The Committee on the Budget should recommend to the House what our fiscal policy will be for the next fiscal year. We can no longer proceed to make reductions piecemeal. The Committee on Veterans' Affairs has been asked to make reductions in veterans programs for several years and we have carried out the wishes of the House on each occasion. During the past five years, we have enacted provisions in reconciliation bills realizing savings of more than $2 billion.

The committee feels the cost of benefits and services to veterans is part of the cost of our national defense. What we do for people who are called on to fight in our nation's wars and conflicts is as important as any weapons system and we must make certain that monetary benefits for disabled and needy veterans and the health care we have established in their behalf are adequate to take care of their needs. We must never waiver from that commitment.

We know you and members of your committee will be fair to our nation's veterans and ask that you seriously consider the views and recommendations of this committee.

Sincerely,

Sonny
G. V. (SONNY) MONTGOMERY
Chairman

John Paul
JOHN PAUL HAMMERSCHMIDT
Ranking Minority Member

GVM:JPH:cls

Enclosure

REPORT TO THE COMMITTEE ON THE BUDGET

FROM

THE COMMITTEE ON VETERANS' AFFAIRS

SUBMITTED PURSUANT TO SECTION 301 OF THE
CONGRESSIONAL BUDGET ACT OF 1974

ON THE

BUDGET PROPOSED FOR FISCAL YEAR 1987

FEBRUARY 27, 1986

REPORT OF THE COMMITTEE ON VETERANS' AFFAIRS ON BUDGET MATTERS UNDER ITS JURISDICTION

The Committee on Veterans' Affairs is submitting this report on estimates of budget matters under its jurisdiction pursuant to section 301(c) of the Congressional Budget and Impoundment Control Act of 1974, as amended by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177), which states:

> On or before February 25 of each year, each standing committee of the House of Representatives shall submit to the Committee on the Budget of the House, . . .
>
> (1) its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within the respective jurisdiction or functions of such committee or joint committee; and
>
> (2) except in the case of such joint committees, the estimate of the total amounts of new budget authority, and budget outlays resulting therefrom, to be provided or authorized in all bills and resolutions within the jurisdiction of such committee which such committee intends to be effective during the fiscal year beginning on October 1 of such year.

This report is based on the best information that is now available to the Committee. It is hoped that the report will be helpful to the Committee on the Budget in preparing its budget targets for the first concurrent resolution.

OBSERVATIONS ON THE FISCAL YEAR 1987 BUDGET

I. OVERVIEW

Throughout the more than 200-year history of the United States, nearly 38.3 million men and women have served in the Armed Forces during wartime. Nearly 1.1 million servicepersons sacrificed their lives in the defense of our country during periods of armed conflict. At the close of fiscal year 1985 there were approximately 22.4 million living war veterans, all of whom saw service in wars fought in the 20th century (i.e., Spanish-American War, World War I, World War II, Korean conflict, and Vietnam era). A total of 35.3 million served during these five wars and 697,000 died in service to their country. In addition to the 22.4 million living war veterans, there were about 3 million veterans who served only during the peacetime period between the Korean conflict and the Vietnam era, as well as 2.0 million peacetime veterans who entered military service after May 7, 1975, and have since returned to civilian life.

The total number of veterans living in the United States and Puerto Rico has been declining for several years. The number of living veterans decreased during fiscal year 1985 to 27.8 million, a loss of 177,000 from the end of fiscal year 1984. This contraction of the veteran population resulted from the addition of 261,000 service personnel discharged from active duty, and was more than offset by the reentry into active duty service of approximately 25,000 who had previously returned to civilian life and the loss of 413,000 veterans who died during fiscal year 1985.

The median age of all veterans in civilian life as of September 30, 1985 was 52.9 years.

Veterans 65 years of age or older totaled about 5.0 million (or nearly 1 of every 5 living veterans) at the end of September 1985. Their numbers are expected to peak at about 9 million by the year 2000, then decline to some 5.7 million by 2030. By the year 2000, approximately two of every three males 65 and over will be veterans. Those veterans presently 60-64 years old (3,880,000) will enter the older population group in the next five years. Similarly, the surviving veterans among those presently in the 55-59 year age group (3,587,000) will enter the 65 years and older veteran population during fiscal years 1989 through 1994. By the end of fiscal year 1994, nearly one of every three veterans will be 65 years old or older.

While the total number of male veterans continues to decline, the female veteran population is growing. Female veterans in the United States and Puerto Rico totaled 1,168,000 at the close of fiscal year 1985. By the year 2000, their numbers are expected to increase to 1,268,000.

This country has historically provided the veterans of its wars and their survivors with certain aid and benefits in expression of gratitude for their sacrifices and hardships.

In order to effectively carry out the intent of a grateful nation, the VA was established as an independent agency under the President by Executive Order 5398 of July 21, 1930, in accordance with the act of July 3, 1930 (46 Stat. 1016). This act authorized the President to consolidate and coordinate Federal agencies especially created for or concerned with the administration of laws providing benefits to veterans. The mission of the VA is to administer veterans' laws effectively, expeditiously and with sympathetic understanding, and to exercise constructive leadership in the field of veterans' affairs. The laws related to veterans benefits are contained in title 38, U.S.C.

Programs available to veterans and their dependents or survivors (Office of Management and Budget (OMB) function 700), are for the most part based on long traditions of compensating former servicepersons for hardships incurred in the course of military service. Most programs in this function are administered by the VA in support of these former members of the armed services and their survivors and dependents. The major veterans programs discussed below provide benefits that are similar in many respects to other human resource programs now available to those in the general population.

Compensation. Payment to veterans who have incurred disabilities in military service. Payments vary with the extent of disability and the amount of income foregone because of that disability. The severely disabled also receive fixed statutory awards and dependents' allowances. Dependency and indemnity compensation (DIC) is paid to survivors of veterans who died from service-connected causes.

Pensions. Payment to non-service-connected disabled and aged wartime veterans and their dependents or to their survivors if the recipients' income falls below certain levels. However, there are several income exclusions in determining eligibility for pensions.

Readjustment benefits. Financial assistance for education, training, and rehabilitation to veterans and to certain of their dependents or survivors.

Hospital and medical care. Provided, usually in VA facilities, to service-connected disabled veterans, former prisoners of war, veterans exposed to Agent Orange and/or nuclear radiation, veteran pensioners, veterans 65 and over, and any other veterans who are unable to pay for the cost of care. Dependents of 100 percent service-connected disabled veterans and survivors of veterans who died from a service-connected disability are provided care through an insurance type program administered for the VA by the Department of Defense, the Civilian Health and Medical Program of the Veteran's Administration (CHAMPVA).

Other veterans' programs. Include direct and guaranteed housing loans, life insurance, and burial benefits. The VA also operates programs such as research and health manpower training to support its medical care delivery system.

II. ANALYSIS OF THE PRESIDENT'S BUDGET REQUEST

The President's fiscal year 1987 budget for the VA provides for benefits and services to the country's 27.8 million veterans, the 49.3 million members of their families, and the 2.1 million survivors of deceased veterans. 79.3 million or 33.3% of the nation's total population are potential recipients of veterans' benefits.

The budget provides information concerning the impact of the effects of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177), commonly known as the Gramm-Rudman-Hollings bill. This legislation is designed to reduce the Federal deficit by decreasing each annual deficit beginning in 1986 until the Federal budget is balanced in 1991. The Veterans' Administration's share of the mandated reductions for 1986 is $196.5 million in outlays and $234.1 million in budget authority.

For the period October 1, 1986 through September 30, 1987, budget authority of $26.6 billion is requested, consisting of appropriations of $25.6 billion, $174.9 million for proposed legislation and an estimate of $801 million through permanent authorizations. Budget outlays for FY 1987 are estimated at $26.4 billion. The requested budget authority is a decrease of $408.4 million below FY 1986, caused primarily by reductions in: workload in the Compensation, Pension and Readjustment Benefits programs; obligations and receipts in the Loan Guaranty Revolving Fund; staff in the Medical Care program; and, the number of projects in the construction program. 58.9 percent of the fiscal year 1987 budget's projected outlays ($15.1 billion) are for benefit programs. The fiscal year 1987 budget requests $10.4 billion for the compensation program which is $64.6 million lower than the FY 1986 request of $10.5 billion. The budget includes a proposed 3.7 percent rate increase effective December 1986. $3.8 billion is requested for pensions, a decrease of $10.0 million from the fiscal year 1986 level, which includes a 3.7 percent cost-of-living increase effective December 1, 1986. $741.1 million is requested for readjustment benefits, which is $136.4 million less than the fiscal year 1986 level. The decrease is caused by a reduction in the number of Vietnam era trainees. No funds are requested for the Emergency Veterans' Job Training program. The fiscal year 1987 Budget requests no funds for the Loan Guaranty program. The obligations of $2.6 billion for the Loan Guaranty program will be partially funded by offsetting collections of $2.4 billion, an increase of $140 million over fiscal year 1986, and a transfer of $125 million from the Direct Loan Revolving Fund. Legislation will be proposed by the President to incrementally increase the user fee from 1 percent to 2 percent in FY 1987; 2.5 percent in 1988, 3 percent in 1989; and remain at 3.8 percent for fiscal years 1990, 1991 and thereafter on both guaranteed and vendee (direct) loans. $9.1 billion is requested for medical programs, a decrease of $46.2 million below the FY 1986 level; employment is 7,542 below the FY 1986 level; $408.2 million is requested for construction programs which is a reduction of $208 million from fiscal year 1986; and, $762.6 million is requested for General Operating Expenses.

Veterans' Administration average employment is projected to decrease by 7,557 to a level of 213,338 in fiscal year 1987 under the proposed budget. The employment levels for 1985, 1986, and 1987 are as follows:

1985:	
Presidential request	223,296
VA actual	222,811
1986:	
VA estimated	220,895
1987:	
VA estimated	213,338

A. BENEFITS AND ADMINISTRATION

1. Income security for veterans

For the sixth year, the Administration proposes dividing the Compensation and Pensions appropriations into three separate appropriation accounts--Compensation, Pensions, and Burial Benefits and Miscellaneous Assistance. The Administration believes this structure would achieve a more informative presentation of the budgetary requirements for these major benefit programs, and that adoption of this new appropriation structure would more closely correspond to a government-wide functional program classification and facilitate program presentation. The Committee on Appropriations does not agree.

In fiscal year 1987, it is estimated that 2.22 million veterans with service-connected disabilities will receive monthly compensation under existing legislation totaling $8.3 billion. Approximately 325,700 survivors of veterans whose deaths were service-connected or related to service-connected disabilities will receive an additional $2.1 billion. The total compensation requirement is $10.4 billion. For fiscal year 1987, legislation is proposed by the Administration for a 3.7 percent cost-of-living increase in compensation payments effective December 1, 1986, at a cost of $305.5 million. This will bring total compensation payments for fiscal year 1987 to $10.7 billion.

Approximately 634,440 veterans and 634,340 survivors will receive monthly pensions totaling $3.8 billion in 1987. Pension payments are based upon financial need, and this estimate includes a cost-of-living adjustment of 3.7 percent effective December 1, 1986, at a cost of $111.9 million.

The life insurance programs administered by the VA will provide coverage of $146.6 billion for 7.3 million servicepersons and veterans in fiscal year 1987.

2. Administration

a. General. The General Operating Expenses (GOE) account primarily supports payroll expenses of personnel responsible for administering non-medical benefits to the veteran population. These benefits include the administration of VA compensation, pension, education, GI loan, and insurance programs, the Board of Veterans' Appeals, Inspector General, other non-medical elements of Central Office as well as maintenance of the national cemetery system. The budget request is $762.6 million in budget authority for fiscal year 1987, which is $49.7 million higher than last year.

The GOE appropriation request is 36 FTEE above the 1986 estimate. The budget request anticipates the closing of two data processing centers and a communications center.

b. **Department of Veterans' Benefits.** Compensation and pension claims within the Department are expected to decrease by 117,190. The number of education trainees is expected to continue to decrease significantly. The budget provides for an increase of 21 FTEE for the vocational rehabilitation and counseling service due to implementation of Public Law 98-543. This law will generate increased activity in the chapter 31 vocational training program for service-connected veterans, as will the newly authorized vocational training program for certain non-service-connected disabled veterans under age 50 and in receipt of pension. Loan guaranty activity is expected to increase significantly. The insurance activity expects an increase in the number of death claims to offset the small decrease in policy service actions.

Beginning in fiscal year 1987, the Administration proposes to transfer the insurance activity at the St. Paul, Minnesota Insurance Center to the Philadelphia, Pa. Insurance Center. The President's budget contained this proposal and the Committee was notified by letter from the Acting Administrator of the details of the planned move. The Acting Administrator reports that the results of a cost-benefits analysis shows an estimated savings of $1.29 million per year, primarily through the elimination of 38 clerical and supervisory positions.

The Acting Administrator states the overwhelming majority of insurance transactions are accomplished by mail or by telephone contacts and that service to policyholders and beneficiaries will not be adversely affected by consolidating the Insurance Activity into the Philadelphia Office. He states the consolidation of all insurance functions at the Philadelphia Insurance Center will help the Veterans' Administration meet its goal of providing quality service to veterans and their beneficiaries at the lowest possible cost to the taxpayers.

3. Veterans' education, training and rehabilitation

The VA administers five education, training and rehabilitation programs for veterans and their dependents. The largest of these programs is the GI Bill for persons who served on active duty during the Vietnam era. The number of Vietnam era veterans in this program is expected to continue to decrease as more veterans reach their delimiting date, generally 10 years following date of discharge or separation from the Armed Forces. Total GI Bill trainees in 1987 are estimated at 252,200 -- a decrease of 68,900 from 1986.

The Post-Vietnam Era Veterans Educational Assistance Program (VEAP) is a voluntary contributory matching program for persons who entered the Armed Forces on or after January 1, 1977. The number of active duty serviceperson participants in fiscal year 1987 is estimated to be 420,775, a decrease of 82,000 from 1986. Approximately 67,300 are estimated to participate in training under this program, an increase of 5,900 over fiscal year 1986. It is also anticipated that the number of disenrollments in this program will decrease by 33,000 from fiscal year 1986. As authorized by P.L. 98-525, no new enrollments into this program are permitted during the period beginning on July 1, 1985 and ending on June 30, 1988.

The number of trainees in the education and training program for spouses and children of veterans with a permanent and total service-connected disability or the spouses and children of veterans who died of a service-connected disability is estimated to be approximately 42,400, a decline of 9,400 from fiscal year 1986.

Vocational rehabilitation for service connected disabled veterans whose disabilities resulted in a vocational handicap is the oldest education and training program administered by the VA. This is a continuous, open-ended program which includes the payment of a monthly subsistence allowance, plus educational expenses, to eligible veterans who need this special assistance. It is estimated that 25,500 veterans will receive training under this program in fiscal year 1987, a decline of 500 from fiscal year 1986.

Public Law 98-77, the "Emergency Veterans' Job Training Act of 1983," established an innovative program of job training assistance for unemployed Vietnam era and Korean Conflict veterans. Public Law 99-238 extended the deadline for application for participation under this program to January 31, 1987, liberalized eligibility, and authorized $65 million for fiscal year 1986. Since the Committee expects these FY '86 funds to be appropriated supplementally, there will be no additional cost in fiscal year 1987.

On October 24, 1984, the President signed into law the Veterans' Benefits Improvement Act of 1984, Public Law 98-543. Title III of this law created a three year pilot program to provide an incentive and the opportunity for vocational counseling and training under Chapter 31 for any service-connected veteran receiving compensation based on a rating of individual unemployability.

Section 301 of Public Law 98-543 established a 3 year pilot program to make vocational training available to certain veterans under age 50 who are awarded pension on or after February 1, 1985. The purpose of this provision is to provide vocational training to wartime veterans who have become disabled after separation from service.

Further demands will be made on the Vocational Rehabilitation and Counseling Service by eligible veterans seeking professional vocational counseling under Public Laws 98-77 and 98-543. The Committee supports the Administration's request for an increase of 21 FTEE for the Vocational Rehabilitation and Counseling Service due to the increased activity generated by these programs. In fact, the test of the pilot programs established under Public Law 98-543 will not be viewed as accurate and informative unless the additional FTEE are provided.

Title VII of Public Law 98-525 established a New GI Bill, Chapter 30, the All-Volunteer Force Educational Assistance Program. The President has recommended in his budget proposal that this program be terminated for new enrollments effective October 1, 1986 and the Veterans Educational Assistance Program (VEAP) be reopened. It is also proposed to close enrollment for the peacetime Reservists education program effective October 1, 1986.

This Committee believes it is shortsighted and unwise to suggest prematurely cancelling the New GI Bill. The Services are already experiencing impressive gains in recruitment and retention due to the availability of this new educational assistance program. A reversion to VEAP would result in a significant decrease in the number of high quality young people entering the military, thus resulting in higher recruitment and training costs. Additionally, the termination of this program before the end of the three year test period will cause serious confusion and chaos both within the military and the general public.

This Committee has no intention of considering legislation to terminate the New GI Bill. Rather, the Committee proposes to enhance the new program in order to maximize its effectiveness during the 3-year test period. Testimony presented during hearings held last fall included recommendations for minor changes in the New GI Bill which will ensure that the test period for this program will realistically reflect its impact on the All Volunteer Force. These provisions will result in very little actual additional cost in fiscal year 1987.

The Administration has again proposed to repeal the authority that permits the VA to make education loans, which would result in an estimated savings of $44,000 in fiscal year 1987. This program is available only for post-delimiting date loans under title 38, U.S.C., chapters 34 and 35, and flight training for enrollments under chapter 34. The Committee rejected this Administration proposal in fiscal years 1985 and 1986 and rejects it again for fiscal year 1987.

4. Veterans' Housing

The Loan Guaranty Program provides housing credit assistance to eligible veterans and service personnel through guarantees of loans made by private lenders and through direct loans to severely disabled veterans on more liberal terms than generally available to non-veterans, without the assumption of undue risks by the Government.

The loan guaranty revolving fund finances the operation of the Loan Guaranty Program, excluding administrative costs. The guarantee may be applied to buying, building or repairing a home, condominium or manufactured housing unit.

Assistance is provided chiefly through substituting the Government's guaranty on loans in lieu of the substantial downpayments, relatively short terms, and other investment safeguards applicable to conventional mortgage transactions. The program also assists certain totally disabled veterans in receiving specially adapted housing grants.

During fiscal year 1985, 178,931 loans were guaranteed which represented a slight decrease over the past year's activity. Since VA interest rates are at their lowest point in the last six years, the VA loan volume is expected to escalate dramatically in fiscal year 1986. According to the VA's latest estimate, more than 270,000 loans will be guaranteed this fiscal year.

Cumulatively, since the inception of the program, through September 30, 1985, 11,933,387 loans totaling $244 billion have been made or guaranteed to purchase conventional housing, condominiums and manufactured housing units. In addition, 19,230 severely disabled veterans have obtained $56.4 million in approved grants to purchase housing especially adapted to their needs.

Since the inception of the program, 484,782 foreclosure claims have been settled. Incident to those claims, and as a result of foreclosures of direct loans, 509,865 of these properties have been sold. In addition, 5,998 properties were redeemed.

Defaults on GI loans are expected to decline from the high levels of the last few years. Collections are projected to be $139.5 million more than in fiscal year 1986, due to increased vendee loan sales and cash sale of properties and funding fees. An appropriation is not requested in FY '87 because of an anticipated $125 million transfer being available from the Direct Loan Revolving Fund and a projected increase of $139.5 million in offsetting collections. The $1,131.9 million net profit existing in the Loan Guaranty Fund at the close of fiscal year 1985 is the net amount to date, exclusive of administrative expenses.

The Loan Guaranty portion of the GOE account is increased in fiscal year 1987 budget by 68 FTEE for an increase of $3 million. This increase is needed to support increasing operation requirements in home loan activity workloads.

The fiscal year 1987 budget proposes an incremental increase in loan origination fees on guaranteed and vendee (direct) loans. The fee would increase from 1 percent to 2 percent in fiscal year 1987; 2.5 percent in fiscal year 1988; 3 percent in fiscal year 1989; and remain constant at 3.8 percent for fiscal years 1990, 1991 and thereafter. The increased revenue is expected to reduce outlays in fiscal year 1987 by $131.8 million.

The fiscal year 1986 budget contained a similar proposal but would have increased the fee from 1 to 5 percent. The VA Administrator, at Committee Budget hearings, characterized his endorsement as "reluctant" and urged caution. CBO estimated that the net impact of these changes would have been outlays of the Loan Guaranty Revolving Fund in FY 1990 that are actually higher than would have been expected under current law. Accordingly, the Committee recommended that the 1 percent user fee be retained. The Committee maintains the same position this year. Even without enactment of an increased user fee, no appropriation will be necessary to operate the VA Home Loan Guaranty Program.

5. Burial Benefits

The burial benefits program provides for: (a) the payment of an allowance of $300 (plus transportation charges where death occurs under VA care) to reimburse in part, the burial and funeral expenses of an eligible deceased veteran; (b) the payment of an allowance of $150 for a plot when an eligible veteran is not buried in a national cemetery or other cemetery under the jurisdiction of the United States; (c) the payment of a burial allowance up to $1,100 when a veteran dies as the result of service-connected disability; (d) a flag to drape the casket of each deceased veteran entitled thereto; (e) a headstone or marker for the grave of the veteran and in certain cases eligible dependents or; (f) provide an allowance towards the headstone purchase.

In fiscal year 1985, the Veterans' Administration provided payments for 123,523 non-service-connected burial allowances at a cost of $44.4 million; 305,326 plot allowances totaling $45.2 million; and burial benefits for 8,748 service-connected deaths at a cost of $8.8 million. In addition, 340,592 burial flags were issued at a cost of $14.9 million; and 52,198 gravemarker allowances were paid at a cost of $3.5 million.

In fiscal year 1986, claims for burial allowances are projected to be 129,200, while burial plot claims will increase to 315,000. The fiscal year 1987 projection for burial allowances is 124,500 and 320,000 for burial plots. These increases are the result of a higher death rate in the aging veteran population.

Legislation is proposed by the Administration to make the eligibility requirements for the burial plot allowance the same as those for the basic burial allowance; that is, limit eligibility to veterans with a service-connected disability, veterans in receipt of pension, and certain other limited categories of wartime veterans. It is estimated that the savings from this proposal will be $31.2 million in fiscal year 1987.

In the fiscal year 1982 budget, when the Administration proposed to restrict eligibility requirements for the basic $300 burial plot allowance, the Committee was advised that the Administration was not seeking the same restriction for the plot allowance. The Committee was advised that requiring the death certificates to accompany the applications for the plot allowance was the only way the Government could collect all veterans death certificates, thus using them for research and census statistics. The Committee concurred with this rationale. Additionally, the non-payment of this benefit to the state veterans' cemeteries would violate the contracts made by the Government to individual states which have established state veterans' cemeteries under the State Matching Grant Program. It should be emphasized that the State Cemetery Grants Program was an Administration initiative designed to complement the National Cemetery System, and make it possible for every veteran who so desires to be buried with his comrades-in-arms in a cemetery in his home state.

6. Department of Memorial Affairs

The Department of Memorial Affairs has a threefold mission: first, to provide, upon request, for the interment in any national cemetery with available grave space the remains of eligible deceased servicepersons and discharged veterans (together with their spouses and certain dependents) and to permanently maintain these graves; second, to mark graves of eligible persons in national and private cemeteries, upon proper application; and third to administer the Grant Program for aid to states in establishing, expanding or improving State Veterans' Cemeteries.

A total of 143 cemeterial installations and activities are now included in the National Cemetery System, located in 42 states, the District of Columbia and Puerto Rico. The existing 143 cemeterial activities total 9,812 acres. Since the establishment of the National Cemetery System in the Veterans' Administration in 1973, approximately 492,500 decedents have been interred in national cemeteries. During the same period, approximately 3.1 million headstones and markers have been furnished.

For fiscal year 1987, the Department employment budget is expected to total 1,189 average employment with 160 in Central Office and 1,029 located in the field. The fiscal year 1987 funding represents a net increase of $2.3 million over 1986. The additional resources are requested to support 13 FTEE necessary due to increasing operational requirements in cemeterial and interment workloads, as well as for purchase of needed equipment and accomplishment of maintenance and repair projects at national cemeteries.

In fiscal year 1985, a total of 50,489 remains of veterans, active duty personnel and dependents were interred in national cemeteries. The fiscal year 1987 interment projection is 54,500, an increase of 1,500 over the fiscal year 1986 estimate of 53,000. A total of 287,659 headstone applications were processed in 1985 and the estimates for fiscal years 1986 and 1987 are 300,000 and 308,900 respectively.

The budget also includes start-up costs for opening the new national cemetery in Florida in early fiscal year 1988.

B. DEPARTMENT OF MEDICINE AND SURGERY

In reports to the Committee on the Budget for fiscal years 1985 and 1986, the Committee noted that the VA's Department of Medicine and Surgery was at a crossroads in terms of fulfilling its mission of providing quality health care to our Nation's veterans. That is also true for fiscal year 1987, and the pressure on the VA medical care system is even greater. Of particular significance is the rapid growth of the aging veteran population. Substantial information concerning the magnitude of the need for health care services by age 65 and older veterans was projected in the fall of 1984 in the VA's report, "Caring for the Older Veteran". Survey data that formed the basis for the report indicated that there were 3.0 million veterans over age 65 in 1980 (15 percent of the veteran population); that there would be 7.2 million in that age group in 1990; and that the number would peak at 9.0 million in the year 2000. The Committee again notes that it is patently obvious that resources must increase over the next 20 years to meet the anticipated demand for services by this aging veteran population.

It is important to recognize the anticipated demand from aging veterans will be levied on a VA medical care system which already is turning away each month over 35,000 non-service-connected veterans needing care, according to the VA's "1985 Survey of Veterans Demand for Medical Care at VA Facilities". The survey, provided to the Committee on February 5, 1986, found that 7.6 percent of valid applicants requiring care during the survey time period could not be given it; 11 percent of valid telephone requests for transfers from non-VA to VA care could not be accepted; and 2.4 percent of the outpatients requiring further medical care were discharged. In addition, the average waiting time for a clinic appointment for a new patient was 28.8 days, while 19 percent of all clinics had a waiting time of greater than 45 days and 5 percent were not accepting new patients at all.

The disparity between the mission of the VA and the resources available to fulfill it is further complicated by the age and distribution of VA medical facilities. According to a VA survey of facilities in 1981, 53 percent of VA beds were in VA hospitals over 30 years old. Simple maintenance of such aging facilities, not even considering modernization for patient safety and privacy and for the installation of state-of-the-art medical equipment, requires increased resources. Another serious problem for the VA in meeting its mission is the changing geographic distribution of the veteran population with migration to the "sun belt" states. The resulting shifts in demand for medical care overwhelms facilities in the southern part of the country yielding inconsistent access to VA medical care for eligible veterans. The situation of scarce VA nursing homes and other long-term care facilities in these Southern states -- and other states as well -- is heightened by the few vacancies in community and state home facilities.

The Committee is greatly concerned that the budget proposed for fiscal year 1987 appears to ignore, if not refute, salient facts of veteran demographics and health care needs and VA resources to meet those needs. Specifically, the Committee has the following major concerns.

The proposed fiscal year 1987 budget calls for a decrease of $46,154,000 from fiscal year 1986, for a total of $9.084 billion in budget authority. When the decrease resulting from sequestration under P. L. 99-177 (the Balanced Budget and Emergency Deficit Control Act of 1985) is taken into account, the result is a decrease of $163.7 million from the amount originally available in fiscal year 1986.

In order to achieve the reduction proposed for fiscal year 1987, the budget proposes, among other things, to reduce the amount of VA care delivered by 62,000 inpatients and 1,254,000 outpatient visits. The total reduction is $503.691 million with an FTEE reduction of 8,927. The result, as stated in the budget documents, is that ". . . fewer veterans with no service-connected disability and who are not in receipt of VA pension benefits will be provided care." The veterans who would no longer receive care would, in part, be determined by the imposition of the same means test that was offered last year and rejected by the the Congress in favor of a more equitable plan. Other veterans who would no longer receive care would be determined by the capacity of the VA facility at which care was sought.

In contrast with the proposed arbitrary attempt to reduce the amount of care to be delivered by the VA, the Committee views caring for veterans, including elderly veterans, in more optimistic terms. If the population of eligible veterans were clearly defined, and if the Administrator were required to provide needed health care services to a precisely defined group, a more rational process of planning for VA health care, for budgeting for VA health care and, thus, for receiving care would ensue. If enacted, the Committee bill reported out last year would accomplish this goal. The Committee believes that instead of trying to shrink the pool of eligible veterans without any mandate to provide care for those veterans who remain eligible, the Federal government should clearly identify those veterans who, as a matter of policy, should receive health care, and mandate that they be provided care in VA facilities.

Generally, the conference agreement, negotiated as part of the conference on H.R. 3128, as amended, regarding VA health care eligibility would require that the Veterans' Administration provide hospital care to the following veterans when it is determined to be necessary: veterans for service-connected disabilities, veterans discharged for a disability incurred or aggravated in the line of duty, veterans entitled to receive disability compensation rated at 50 percent or greater, veterans entitled to receive disability compensation rated at less than 50 percent, former POW's, veterans exposed to certain herbicides and ionizing radiation, World War I veterans, veterans drawing pension benefits, and any veteran with one dependent whose income does not exceed $18,000 (or $15,000 for veterans with no dependents) plus $1,000 for each additional dependent. It would allow the Veterans' Adminstration to provide hospital care to veterans with incomes in excess of the above amounts with two requirements. First, space and resources must be available at the VA facility and, second, veterans with income greater than $25,000 with one dependent (or $20,000 with no dependents) plus $1,000 for each additional dependent must agree to make certain payments in connection with receipt of care. The conference agreement would make no change in current law with regard to eligibility for nursing home care and outpatient care except that non-service-connected veterans with incomes greater than $25,000 with one dependent (or $20,000 with no dependents) plus $1,000 for each additional dependent would be required to agree to make certain payments in connection with receiving care. No change is made with respect to domiciliary care.

The proposed reduction for fiscal year 1987 in the amount of care delivered, particularly in the absence of precisely defined eligibility, is considered by the Committee to be imprudent in view of the aging veteran population and the current inability of the VA to meet valid demand for medical care. As stated in the documents of the proposed budget, "VA users have lower incomes, are more often not married, are generally older, are more often disabled and are more often members of minority groups."

The Committee is recommending a restoration of the funds and personnel necessary to maintain a current services level in the VA health care system. This recommendation includes funds to maintain the fiscal year 1986 appropriated staff level of 193,941 FTEE in the medical care account.

The Administration's proposed budget would reduce funding for medical facility construction by approximately 41 percent from the fiscal year 1986 budget, a decrease of $208.4 million ($184 million in major projects and $24 million in minor projects). No new independent nursing home projects are being requested in the budget while the VA's five-year construction plan calls for four nursing homes for this fiscal year. Anticipated need for such facilities from aging veterans and problems in the distribution and availability of all nursing home beds are evidence for how seriously flawed and ill-advised is the proposed dependence on alternative sources of nursing home beds such as community nursing homes and conversion of hospital beds. The proposed conversion of 59 beds system-wide is far too few to constitute a real alternative. The funds for site acquisition of a hospital at Palm Beach, Florida, and design funds for the sorely-needed replacement medical center for the Aspinwall Division of the Pittsburgh VA Medical Center -- both of which are scheduled for fiscal year 1987 funding in the VA five-year medical construction plan -- are also not included in the proposed budget request.

The Committee is recommending the inclusion of funds for site acquisition of the Palm Beach hospital ($6 million), design funds for VAMC Pittsburgh (Aspinwall Division) ($5.3 million), and the nursing home construction projects for Hampton, Virginia, ($5.7 million) and Tampa, Florida, ($6 million) in this budget. The Committee is also recommending that certain land at VAMC West Los Angeles, California, and VAMC Sepulveda, California, not be declared excess to the needs of the Veterans' Administration

III. VETERANS' BENEFITS AND SERVICES AS A PART OF THE TOTAL FEDERAL BUDGET

The following table indicates total federal outlays, veterans' benefits and services outlays (function 700) and the percentage for benefits and services for fiscal years 1976 through 1986.

Total Federal Outlays and Veterans' Benefits
and Services Outlays
Fiscal Years 1977 - 1987

(In millions of dollars)

Fiscal Year	Total Federal Outlays	Veterans' Benefits and Service	Veterans as Percent of Outlays
1977	409,203	18,038	4.4
1978	458,729	18,978	4.1
1979	503,464	19,931	4.0
1980	590,920	21,185	3.6
1981	678,209	22,991	3.4
1982	745,706	23,958	3.2
1983	808,327	24,846	3.1
1984	851,781	25,614	3.0
1985	946,323	26,352	2.8
1986 (est.)	979,928	26,619	2.7
1987 (est.)	994,002	26,420	2.7

Source: Budget of the United States Government for Fiscal Year 1987, table 18.

The above table indicates that in 1977 the percentage of total Federal outlays spent on veterans' benefits and services was 4.4 percent. Since that time, there has been a steady decrease, with an estimate for fiscal year 1987 of 2.7 percent.

From 1950 to the present, the veteran population has increased by approximately 10.5 million to nearly 28.0 million. Two major GI bill programs educated millions of veterans. Twenty-two major veterans' health care measures were approved by the Congress, and 29 hospitals were added to the VA hospital system. Federal outlays for veterans' benefits and services have increased only by a ratio of 3 to 1 compared to 272 to 1 for Social Security; 131 to 1 for health; 114 to 1 for education, training, employment and social services; and 29 to 1 for income security. Outlays for Medicare are 11 times the amount in FY 1970.

Federal Outlays for Human Resources Programs
Selected Years 1950 - 1987

(In millions of dollars)

Fiscal Year	Education, Training, Employment and Social Services	Health	Social Security and Medicare	Income Security	Veterans' Benefits and Services
1950	241	268	781	4,097	8,834
1955	445	291	4,427	5,071	4,675
1960	968	795	11,602	7,378	5,441
1965	2,146	1,791	17,460	9,455	5,723
1970	8,634	5,907	36,483	15,645	8,679
1975	16,002	12,930	77,533	50,160	16,599
1980	31,843	23,169	150,637	86,540	21,185
1985	29,342	33,542	254,445	128,200	26,352
1987 (est.)	27,447	34,997	282,447	118,374	26,420
Ratio of 1987 to 1950, except for Medicare which is ratio of 1987 to 1970	114 to 1	131 to 1	272 to 1	29 to 1	3 to 1

Source: Office of Management and Budget, Historical Tables, Budget of the United States Government, Fiscal Year 1987, table 3.1.

Federal spending for health and Medicare programs is expected to total $105,231 million in FY 1987. The following table displays the total Federal outlays for health, Medicare and veterans' hospital and medical care, and the percentage attributable to veterans. It is interesting to note the steady decline of Federal outlays attributed to veterans, from fiscal years 1977 to 1987.

Federal Outlays for Health, Medicare and Veterans' Hospital and Medical Care Fiscal Years 1977 - 1987

(In millions of dollars)

Fiscal Year	Outlays for Health a/	Outlays for Medicare	Outlays for Veterans' Hospital and Medical Care	Total	Veterans as Percent of Total
1977	17,302	19,345	4,708	41,355	11.4
1978	18,524	22,768	5,254	46,546	11.3
1979	20,494	26,495	5,611	52,609	10.7
1980	23,169	32,090	6,515	61,774	10.5
1981	26,866	39,149	6,965	72,980	9.5
1982	27,445	46,567	7,517	81,529	9.2
1983	28,641	52,588	8,272	89,501	9.2
1984	30,417	57,540	8,861	96,818	9.2
1985	33,542	65,822	9,547	108,911	8.8
1986 (est.)	35,669	68,661	9,872	114,202	8.6
1987 (est.)	34,997	70,234	9,720	114,951	8.5

a/ Outlays are from budget function 550. Does not include Medicare, Veterans' Administration or Defense Department spending for health care.

Source: Budget of the United States Government for fiscal year 1987, table 18.

The following table provides federal outlays for veterans benefits and services as a percent of Gross National Product (GNP) for fiscal years 1977-1987 (estimated). As a percentage of GNP, the cost of veterans' benefits and services has steadily declined, from 0.93 in 1977 to an estimated 0.58 in 1987.

Federal Outlays for Veterans' Benefits and Services
as a Percent of Gross National Product
Fiscal Years 1977-1987

Fiscal Year	Percent of GNP
1977	0.93
1978	0.87
1979	0.81
1980	0.79
1981	0.77
1982	0.76
1983	0.75
1984	0.69
1985	0.67
1986 (est.)	0.63
1987 (est.)	0.58

Source: Office of Management and Budget. Historical Tables, Budget of the United States Government, fiscal year 1987. Tables 3.1 and 6.2.

VETERANS' ADMINISTRATION PROGRAMS BY FUNCTIONAL DISTRIBUTION

The programs under the Committee's jurisdiction are administered by the VA and are broken down into several subfunctional classifications. There follows a list of the functions and programs included in the VA budget for fiscal year 1987, as well as a comparison of total budget authority and outlays recommended by the Administration and that proposed by the Committee on Veterans' Affairs.

For purposes of clarity, the functions and their respective programs defined by OMB are as follows:

701. INCOME SECURITY FOR VETERANS

Compensation and pensions:
- Service-connected compensation
- Non-service-connected pensions
- Other veterans income security programs

Insurance Programs:
- Veterans insurance and indemnities
- Service-disabled veterans insurance fund
- Veterans reopened insurance fund
- National service life insurance
- U.S. Government life insurance
- Veterans special life insurance
- NSLI and USGLI receipts

702. VETERANS EDUCATION, TRAINING, AND REHABILITATION

- Readjustment benefits
- Education loan fund
- Vocational rehabilitation revolving loan fund
- Post-Vietnam era veterans' education account
- New GI Bill

703. HOSPITAL AND MEDICAL CARE FOR VETERANS

- Medical Care
- Medical and prosthetic research
- Medical administration and miscellaneous operating expenses
- Construction, major projects
- Construction, minor projects
- Grants for construction of State extended-care facilities
- Grants to the Republic of the Philippines
- Assistance for health manpower training institutions

704. VETERANS HOUSING

Loan guaranty revolving fund
Direct loan revolving fund

705. OTHER VETERANS BENEFITS AND SERVICES

General operating expenses
Canteen service revolving fund
Supply fund
Special therapeutic and rehabilitation activities fund
General post fund
Grants for construction and operation of State cemeteries

BUDGET AUTHORITY
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Federal funds:						
Benefit programs:						
Compensation	$10,232.458	$10,465.000	$10,406.000	$-59.000	$10,406.000	---
Pensions	3,809.870	3,834.000	3,824.000	-10.000	3,824.000	---
Burial benefits and miscellaneous assistance	132.572	127.999	134.400	+ 6.401	134.400	---
Readjustment benefits	1,130.800	877.569	741.150	-136.419	741.150	---
Veterans insurance & indemnities	11.000	9.745	4.770	-4.975	4.770	---
Loan guaranty revolving fund	306.600	200.000	---	-200.000	---	---
Total benefit programs	15,623.300	15,514.313	15,110.320	-403.993	15,110.320	---
Medical programs:						
Medical care	8,941.169	9,130.137	9,083.983	-46.154	9,591.000	+ 507.017
Medical and prosthetic research	192.695	181.127	188.915	+ 7.788	188.915	---
Medical administration and miscellaneous operating expenses	67.891	51.222	42.694	-8.528	42.694	---
Grants for construction of State extended care facilities	34.500	20.822	42.400	+ 21.578	42.400	---

BUDGET AUTHORITY (Continued)
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Medical programs - (Continued)						
Grants to the Republic of the Philippines	.500	.474	.500	+ .026	.500	---
Total medical programs	9,236.755	9,383.782	9,358.492	-25.290	9,865.509	+ 507.017
Construction programs:						
Construction, major projects	568.194	485.544	301.208	-184.336	324.208	+ 23.000
Construction, minor projects	199.823	131.061	106.962	-24.099	106.962	---
Total construction programs	768.017	616.605	408.170	-208.435	431.170	+ 23.000
General operating expenses and miscellaneous:						
General operating expenses	753.954	712.835	762.579	+ 49.744	762.579	---
Grants for the construction of State veterans cemeteries	5.000	2.839	---	-2.839	---	---
Total GOE & miscellaneous	758.954	715.674	762.579	+ 46.905	762.579	---
Total appropriations, adjusted	26,387.026	26,230.374	25,637.561	-590.813	26,169.578	+ 530.017

BUDGET AUTHORITY (Continued)
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Proposed legislation:						
Compensation	---	---	305.500	+ 305.500	305.500	---
Burial benefits	---	---	-31.200	-31.200	0	+ 31.200
Readjustment benefits	---	---	---	---	24.000	+ 24.000
Medical care	---	---	2.327	+ 2.327	.767	-1.560
General operating expenses	---	---	.952	+ .952	.952	---
Post-Vietnam era veterans education account	---	---	59.200	+ 59.200	0	-59.200
Proprietary receipts from the public	---	-10.400	-161.883	-151.483	-119.183	+ 42.700
Total proposed legislation	---	-10.400	174.896	+ 185.296	212.036	+ 37.140
Total federal funds	26,387.026	26,219.974	25,814.457	-405.517	26,381.614	+ 56.157
Trust funds:						
Post-Vietnam era veterans education account	290.399	441.600	293.500	-148.100	293.500	---
General post fund	11.521	13.500	14.500	+ 1.000	14.500	---
National service life insurance	1,404.804	1,360.800	1,392.900	+ 32.100	1,392.900	---

BUDGET AUTHORITY (Continued)
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Trust funds - (Continued)						
U.S. Government life insurance	21.556	19.220	17.320	-1.900	17.320	---
Total trust funds(gross)	1,628.364	1,835.120	1,718.220	-116.900	1,718.200	---
Proprietary receipts from the public	-636.704	-857.785	-732.643	+ 125.142	-732.643	---
Total trust funds(net)	991.660	977.335	985.577	+ 8.242	985.577	---
Intragovernmental transactions	-80.412	-173.436	-184.576	-11.140	-184.576	---
Total Veterans' Administration	27,298.274	27,023.873	26,615.458	-408.415	27,182.615	+ 567.157

OUTLAYS
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Federal funds:						
Benefit programs:						
Compensation	$10,243.044	$10,453.000	$10,415.000	$-38.000	$10,415.000	---
Pensions	3,841.865	3,835.000	3,825.000	-10.000	3,825.000	
Burial benefits and miscellaneous assistance	132.572	128.007	134.392	+ 6.385	134.392	---
Readjustment benefits	1,173.667	910.422	754.897	-155.525	754.897	---
Veterans insurance & indemnities	10.916	9.745	4.770	-4.975	4.770	---
Reinstated entitlement program for survivors	-15.326	14.970	---	-14.970	---	---
Emergency veterans job training	68.838	49.200	5.384	-43.816	5.384	---
Loan guaranty revolving fund	278.462	285.450	148.900	-136.550	148.900	---
Direct loan revolving fund	-40.675	-44.740	-43.453	+ 1.287	-43.453	---
Service--disabled veterans insurance fund	-3.168	-.587	5.120	+ 5.707	5.120	---
Veterans reopened insurance fund	11.417	43.603	-4.540	-48.143	-4.540	---
Education loan fund	-6.325	-6.900	-6.657	+ .243	-6.657	---
Vocational rehabilitation revolving fund	-.041	-.030	.010	+ .040	.010	---

OUTLAYS (Continued)
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Benefits programs - (Continued)						
Servicemen's group life insurance fund	$19.750	$25.300	$35.100	$ + 9.800	$35.100	---
Total benefit programs	15,675.496	15,702.440	15,273.923	-428.517	15,273.923	---
Medical programs:						
Medical care	8,721.609	9,067.560	8,960.952	-106.608	9,467.969	+ 507.017
Medical and prosthetic research	215.124	181.491	187.332	+ 5.841	187.332	---
Medical administration and miscellaneous operating expenses	65.571	55.631	43.952	-11.679	43.592	---
Grants for construction of State extended care facilities	20.364	20.148	25.504	+ 5.356	25.504	---
Grants to the Republic of the Philippines	.399	1.063	.486	-.577	.486	---
Assistance for health manpower training institutions	2.171	1.680	---	-1.680	---	---
Canteen service revolving fund	-11.027	-5.411	1.474	+ 6.885	1.474	---

OUTLAYS (Continued)
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Medical programs - (Continued)						
Special therapeutic and rehabilitation activities fund	-.112	-.130	-.030	+.100	-.030	---
Total medical programs	9,014.120	9,322.032	9,219.670	-102.362	9,726.687	+507.017
Construction programs:						
Construction, major projects	397.966	424.804	536.688	+111.884	559.688	+23.000
Construction, minor projects	123.512	130.277	150.340	+20.063	150.340	---
Total construction programs	521.478	555.081	687.028	+131.947	710.028	+23.000
General operating expenses and miscellaneous:						
General operating expenses	724.048	715.425	758.945	+43.520	758.945	---
Grants for the construction of State veterans cemeteries	.534	2.600	.372	-2.228	.372	---
Supply fund	-14.543	---	---	---	---	---
Total GOE and miscellaneous	710.039	718.025	759.317	+41.292	759.317	---
Total appropriations and funds	29,921.133	26,297.578	25,939.938	-357.640	26,469.955	+530.017

OUTLAYS (Continued)
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Proposed legislation:						
Compensation	---	---	275.000	+ 275.000	275.000	---
Burial benefits	---	---	-31.200	-31.200	0	+ 31.200
Readjustment benefits	---	---	---	---	24.000	24.000
Loan guaranty revolving fund	---	---	-131.800	-131.800	0	+ 131.800
Education loan fund	---	---	-.044	-.044	0	+ .044
Medical care	---	---	2.327	+ 2.327	.767	-1.560
General operating expenses	---	---	.952	+ .952	.952	---
Proprietary receipts from the public	---	-10.400	-161.883	-151.483	-178.383	-16.500
Total proposed legislation	---	-10.400	-46.648	-36.248	122.336	+ 168.984
Total Federal funds	25,921.133	26,287.178	25,893.290	-393.888	26,592.291	+ 699.001
Trust funds:						
Post--Vietnam era veterans education account	182.458	231.000	217.800	-13.200	218.800	---
General post fund	11.400	12.500	13.500	+ 1.000	13.800	---
National service life insurance	955.965	1,066.588	1,170.400	+ 103.812	1,170.400	---

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OUTLAYS (Continued)
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Trust funds - (Continued)						
U.S. Government life insurance	45.698	44.230	41.200	-3.030	41.200	---
Veterans special life insurance	-66.823	-71.910	-66.300	+ 5.610	-66.300	---
Total trust funds (gross)	1,128.698	1,282.408	1,376.600	+ 94.192	1,376.600	---
Proprietary receipts from the public	-636.704	-857.785	-732.643	+ 125.142	-732.643	---
Total trust funds (net)	491.994	424.623	643.957	+ 219.334	643.957	---
Intragovernmental transactions	-80.142	-173.436	-184.576	-11.140	-184.576	---
Total Veterans' Administration	26,332.715	26,538.365	26,352.671	-185.694	27,051.672	+ 699.001

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BUDGET APPROPRIATIONS
FY 1978 - FY 1987
(dollars in millions)

Appropriation/Fund Account	Actual								Estimates	
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Federal funds:										
Benefit programs:										
Compensation and pensions	$9,[illegible]	...	...	...	...	...	...	...	...	...
Compensation	...	$6,909.452	$7,337.300	$8,529.303	$9,390.093	$9,565.916	$9,952.512	$10,232.050	$10,465.000	$10,406.000
Pensions	...	3,554.048	3,670.600	3,794.177	4,047.400	3,701.634	3,916.000	3,809.870	3,834.000	3,824.000
Burial benefits and miscellaneous assistance	...	170.545	185.700	207.604	140.857	122.250	125.300	131.332	127.999	134.000
Readjustment benefits	2,617.770	2,509.555	2,310.535	2,309.673	1,964.100	1,666.000	1,443.200	1,130.000	877.569	741.150
Veterans insurance and indemnities	1.712	5.750	5.000	5.406	9.950	8.400	7.400	11.000	9.745	4.770
Reinstated entitlement program for survivors	...	...	...	...	...	...	51.000	...	...	...
Emergency veterans job training ..	...	...	...	...	...	...	130.000	...	...	...
Loan guaranty revolving fund	...	...	...	...	...	...	260.000	306.400	200.000	...
Education loan fund	17.300	...	...	...	...	...	...	...	...	...
Vocational rehabilitation revolving fund	...	...	...	1.250	...	...	...	...	...	...
Total benefit programs	12,275.000	13,158.150	13,530.735	14,842.473	15,751.600	15,103.000	15,668.500	15,623.300	15,514.313	15,110.370
Medical programs:										
Medical care	4,924.609	5,374.374	5,832.839	6,379.396	7,101.020	7,773.254	8,364.414	8,901.169	9,130.137	9,083.982
Medical and prosthetic research ..	111.051	122.047	125.047	140.030	140.055	154.939	157.600	192.695	181.127	180.915
Medical administration and miscellaneous operating expenses	43.316	47.050	48.205	52.009	69.369	[illegible]	66.552	67.091	51.322	42.694
Grants for construction of state extended care facilities	15.000	10.000	7.500	15.000	15.000	10.000	10.000	34.500	20.822	42.000
Grants to the republic of the philippines	1.700	.500	1.350	1.200	1.000	.500	.500	.500	.470	.500
Assistance for health manpower training institutions	51.411	104.05	...	...	...	...	...	...	...	...
Total medical programs	5,164.1[illegible]	5,650.684	6,014.941	6,546.435	7,[illegible]	8,083.813	8,547.166	9,236.755	9,383.382	9,350.493
Construction programs:										
Construction, major projects	391.609	365.560	331.292	216.614	372.270	670.792	385.093	568.194	485.344	301.200
Construction, minor projects	95.210	86.345	73.233	108.900	102.010	141.748	105.320	192.823	131.061	106.962
Total construction programs	[illegible]	451.905	394.525	330.522	474.280	812.540	531.070	760.017	616.405	770.170
General operating expenses and misc.										
General operating expenses	501.850	631.675	611.609	641.251	662.057	690.152	715.676	753.954	712.835	762.579
Grants for the construction of state veterans cemeteries	...	...	5.000	5.000	...	2.500	3.000	5.000	2.839	...
Total general operating expenses & miscellaneous	501.850	631.675	616.609	646.251	662.057	692.652	718.676	758.954	715.674	762.579

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BUDGET AUTHORITY
FY 1978 - FY 1987
(dollars in millions)

Appropriation/Fund Account	ACTUALS								ESTIMATES	
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Federal funds (continued):										
Total appropriations (adjusted)	18,514.992	19,901.614	20,551.810	22,055.221	24,216.079	24,611.205	25,685.352	26,307.026	26,229.974	25,816.453
Proposed legislation:										
Compensation	...	...	...	...	...	...	...	...	...	305.500
Burial benefits	...	...	...	...	...	...	...	...	...	-31.200
Medical care	...	...	...	...	...	...	...	...	...	2.327
General operating expenses	...	...	...	...	...	...	...	...	...	.952
Post-Vietnam era veterans education account	...	...	...	...	...	...	...	...	...	55.700
Proprietary receipts from the public	...	...	...	...	...	...	...	...	-10.600	-[illegible]
Total proposed legislation	...	...	...	...	...	...	...	...	-10.600	[illegible]
Deduct: Proprietary receipts from the public	-3.130	-1.021	-2.450	-2.942	-3.476	-77.910	-39.070	...	...	...
Total federal funds	18,511.8[illegible]4	19,897.593	20,549.360	22,052.279	24,212.553	24,533.095	25,626.322	26,307.026	26,230.374	25,639.961
Trust funds:										
Post-vietnam era veterans education account	91.736	70.700	111.302	142.205	161.057	222.315	224.776	290.390	441.000	293.300
General post fund	6.305	6.460	7.414	7.787	9.942	10.667	13.447	11.571	13.500	14.500
National service life insurance	939.727	982.543	1,044.166	1,104.104	1,163.633	1,202.072	1,240.781	1,304.000	1,300.000	1,392.900
U.S Government life insurance	36.153	38.210	37.040	34.152	31.209	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total trust funds (gross)	1,073.920	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deduct: Proprietary receipts from the public	-512.960	-526.328	-572.907	-690.917	-617.102	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total trust funds (net)	560.960	571.773	636.363	607.201	751.7[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deduct: Intragovernmental transactions	-2.472	-2.309	-3.814	-6.649	-31.525	-65.151	-31.090	-90.432	-172.626	-104.370
Total Veterans Administration	$19,010.102	$20,466.997	$21,176.089	$23,132.090	$24,944.770	$25,324.081	$26,460.560	$27,290.274	$27,033.073	$26,615.450

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BUDGET OUTLAYS
FY 1978 - FY 1987
(dollars in millions)

Appropriation/Fund Account	ACTUAL 1978	1979	1980	1981	1982	1983	1984	1985	ESTIMATES 1986	1987
Federal funds										
Benefit programs:										
Compensation and pensions	$9,572.011	...	...	...	...	...	...	...	...	...
Compensation	...	$6,703.320	$7,433.501	$8,425.761	$9,276.429	$9,803.053	$9,915.741	$10,203.000	$10,453.000	$10,415.000
Pensions	...	3,521.725	3,585.368	3,755.107	3,879.396	3,893.900	3,874.220	3,841.003	3,835.000	3,825.000
Burial benefits and miscellaneous assistance	...	176.881	183.213	200.195	140.060	122.250	128.300	132.572	128.007	130.392
Readjustment benefits	3,361.716	2,818.012	2,416.979	2,332.121	2,005.365	1,713.702	1,408.267	1,173.667	958.422	754.857
Veterans insurance and indemnities	1.450	4.021	3.989	8.174	9.755	6.629	7.167	10.916	9.765	6.770
Reinstated entitlement program for survivors	...	...	...	...	...	...	44.882	-15.326	14.970	...
Emergency veterans job training	...	...	...	...	...	...	17.070	60.030	69.700	5.384
Loan guaranty revolving fund	80.776	307.112	37.557	277.020	101.027	239.260	369.047	278.462	303.650	168.900
Direct loan revolving fund	-18.900	-65.350	-67.154	-120.274	-62.266	-139.764	-44.573	-40.675	-46.760	-43.053
Service-disabled veterans insurance fund	2.119	.893	2.789	-.485	-2.563	.432	-.395	-3.160	-.587	3.120
Veterans reopened insurance fund	-20.624	-27.900	-17.227	-13.778	-10.659	-22.475	-15.060	11.417	43.683	-4.500
Education loan fund	30.591	6.367	3.330	.907	-5.107	-6.577	-6.700	-6.325	-6.900	-6.657
Vocational rehabilitation revolving fund	-.001	.073	.000	-.037	.059	-.033	.020	-.041	-.030	.010
Servicemen's group life insurance fund	-.454	.464	-.106	110	-39.998	-39.751	-27.010	-19.750	25.300	25.100
Total benefit programs	12,986.061	11,170.760	13,572.377	14,066.062	15,305.735	15,611.466	15,670.912	15,675.096	15,782.440	15,273.923
Medical programs:										
Medical care	4,809.918	5,199.564	5,981.200	6,320.080	6,951.460	7,402.007	8,123.794	8,721.090	9,057.560	8,980.952
Medical and prosthetic research	111.707	117.270	130.917	135.200	135.250	151.583	166.209	215.134	181.091	187.332
Medical administration and miscellaneous operating expenses	41.645	47.671	50.052	49.461	51.946	58.303	64.581	65.571	55.631	43.952
Grants for construction of State extended care facilities	6.900	14.303	14.225	9.002	15.253	13.612	5.154	20.304	39.140	25.504
Grants to the Republic of the Philippines	1.730	.187	1.130	1.282	.192	.353	.454	.339	1.003	.006
Assistance for health manpower training institutions	39.511	40.672	42.000	47.175	36.377	17.467	5.252	2.171	1.000	...
Construction and operation of garage and parking facilities	...	...	-.122	-.130	.000	.136	...	...	...	...
Canteen service revolving fund	-7.700	-3.250	-.887	-1.632	-.801	-5.333	1.224	-11.037	-9.411	1.474
Special therapeutic and rehabilitation activities fund	-.101	-.164	-.191	-.040	-.175	-.010	-.072	-.112	-.130	-.030
Consolidated working fund	-.250	.003	1.300	...	...	...	...	...	...	...
Total medical programs	5,007.715	5,371.186	6,230.300	6,580.403	7,097.306	7,030.300	8,306.670	9,014.120	9,322.032	9,219.070

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BUDGET OUTLAYS
FY 1978 - 1987
(dollars in millions)

Table Continued

Appropriation/Fund Account	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
	ACTUALS								ESTIMATES	
Federal funds (Continued):										
Construction programs:										
Construction, major projects	161.930	150.212	189.506	307.558	345.712	337.382	352.885	397.986	424.884	536.688
Construction, minor projects	81.117	86.285	105.169	97.773	83.355	98.672	122.463	123.512	128.277	150.748
Total construction programs	241.767	236.497	294.675	405.331	4[illegible].638	436.054	475.348	521.498	553.161	687.436
General operating expenses and other:										
General operating expenses	558.087	603.295	629.295	628.131	649.939	673.710	704.093	724.048	715.075	758.945
Grants for the construction of State veterans cemeteries	...	...	.236	.674	.961	1.593	.849	.534	2.000	.372
Supply fund	.041	-7.996	-4.349	-.841	-11.511	-22.376	-9.477	-14.503	...	...
Total general operating expenses & other	558.125	595.099	625.280	623.966	639.389	652.927	695.465	710.079	718.075	759.317
Total appropriations and funds .	18,795.062	19,582.163	20,713.155	22,653.887	23,530.271	24,531.327	25,220.521	25,921.133	26,297.570	25,939.930
Proposed legislation:										
Compensation	...	...	...	...	...	...	...	...	...	375.000
Burial benefits	...	...	...	...	...	...	...	...	...	-31.200
Loan guaranty revolving fund	...	...	...	...	...	...	...	...	...	-131.000
Education loan fund	...	...	...	...	...	...	...	...	...	.004
Medical care	...	...	...	...	...	...	...	...	...	2.327
General operating expenses	...	...	...	...	...	...	...	...	...	.952
Proprietary receipts from the public	...	...	...	...	...	...	...	...	-10.400	-161.083
Total proposed legislation	...	...	...	...	...	...	...	...	-10.400	-46.[illegible]
Deduct: Proprietary receipts from the public	-1.110	-3.831	-2.450	-2.902	-3.406	-77.550	-59.870	...	...	...
Total federal funds	18,797.076	19,578.332	20,710.705	22,650.985	23,516.795	24,453.817	25,160.651	25,921.133	26,287.170	25,893.299
Trust funds:										
Post-Vietnam era veterans education account	.010	13.035	32.653	87.777	107.051	140.329	155.996	182.958	231.000	217.000
General post fund	5.037	5.567	6.106	6.087	7.643	9.499	10.479	11.000	12.500	13.500
National service life insurance	667.762	785.393	920.220	985.147	975.296	890.920	972.003	955.965	1,000.588	1,170.000
U.S. Government life insurance	66.973	70.001	76.317	70.040	64.312	59.051	51.097	45.098	40.230	41.200
Veterans special life insurance	-55.051	-38.049	-46.317	-44.296	-50.510	-54.085	-57.992	-66.023	-71.330	-66.300
Total trust funds (gross)	684.761	837.587	989.033	1,068.685	1,054.387	1,044.871	1,082.385	1,128.098	1,283.488	1,376.000
Deduct: Proprietary receipts from the public	-512.960	-526.328	-572.987	-588.917	-612.183	-625.185	-637.038	-636.204	-657.305	-732.043
Total trust funds (net)	171.800	311.259	416.046	479.768	442.184	419.682	445.337	491.888	626.183	643.957
Deduct: Intragovernmental transactions	-2.672	-2.389	-2.614	-6.649	-21.525	-45.911	-31.000	-80.412	-173.436	-184.375
Total Veterans Administration	$18,962.152	$19,887.172	$21,134.537	$22,904.083	$23,937.310	$24,036.077	$25,503.700	$26,332.715	$26,530.365	$26,352.871

ADMINISTRATION'S PROPOSED LEGISLATION FOR FISCAL YEAR 1987

The following items are included in the President's legislative program for the second session of the 99th Congress and have been included in his fiscal year 1987 budget.

(In millions of dollars)

	Fiscal Year 1987	
	Budget authority	Budget outlays
Compensation:		
Cost-of living (COLA) increase of 3.7 percent, effective December 1, 1986.....	$305.500	$275.000
Burial benefits and miscellaneous assistance:		
Change eligibility for plot allowances to be consistent with the eligibility requirements for the basic burial allowance................................	-31.200	-31.200
Education Loan Fund:		
Repeal the authority that permits the VA to make education loans, effective October 1, 1986.................	0	-.044
Loan Guaranty:		
Legislative savings to increase the loan origination fee from 1 percent to 2 percent (phased increases to 3.8 percent by 1990).....................	....	-131.800
Medical Care:		
To provide (1) authority to contract for home health services and; (2) resources for the administrative costs of implementing the legislative proposal to reform medical care eligibility for non-service-connected veterans based on a means test................................	+2.327	+2.327
General operating expenses:		
To provide resources for General Counsel to recover or collect from health insurance policies, the cost of medical care for non-service-connected disabilities.............................	+.952	+.952

Proprietary Receipts:		
To effect reimbursement from third party insurance carriers, for cost of medical care and treatment to veterans with non-service-connected disabilities, effective April 1, 1986............................	-187.500	-187.500
Close All Volunteer Force GI Bill to Enrollees:		
Post-Vietnam era veterans education account:		
Reopen the Post-Vietnam era Program for new enrollees on October 1, 1986........	+59.200	....
Proprietary Receipts:		
Increase collection into Post-Vietnam era program................................	-59.200	-59.200
Close program to new personnel on October 1, 1986.........................	+84.817	+84.817
Total, proposed legislation.................	$+174.896	$-46.648

COMMITTEE ON VETERANS' AFFAIRS PROPOSED LEGISLATION
FISCAL YEAR 1988

(In millions of dollars)

	Estimated Budget Authority
Compensation, pension and insurance:	
Improve the disability compensation program for former prisoners of war	(1)
Readjustment benefits:	
Improve the new educational assistance program for veterans and members of the Armed Forces	$24.0
Extend and amend authority to make Veterans' Readjustment Appointments	0
Medical Care:	
Prohibit the Veterans' Administration from carrying out certain proposed real estate transactions	0
Housing:	
Veterans housing amendments	0
Total - legislative proposals	$24.0

*(1) Insignificant

COMMITTEE ON VETERANS' AFFAIRS NONLEGISLATIVE PROPOSALS
FISCAL YEAR 1987

(In millions of dollars)

	FTEE	Estimated Budget authority
Medical Care:		
Maintain a current services level in the VA health care system..........	8,848	$507.0
Construction Additions:		
A. Add funds for site acquisition of Palm Beach Hospital...........	0	6.0
B. Add funds for design VAMC Pittsburgh (Aspinwall Division)..	0	5.3
C. Add funds for nursing home Construction at Hampton, VA......	0	5.7
D. Add funds for nursing home construction at Tampa, FL........	0	6.0
Total-nonlegislative proposals.........	8,848	530.0

I. **Presidential Proposals**

(In millions of dollars)

Legislative Proposal	Estimate 1987	1988	1989
701 - To provide a 3.7 percent increase for service-connected disabled veterans and their surviving spouses and children, effective December 1, 1986			
President's request:			
Budget authority...........	305.5	737.2	1,125.3
Outlays.....................	275.0	700.0	1,093.6
Committee recommendation:			
Budget authority...........	305.5	737.2	1,125.3
Outlays.....................	275.0	700.0	1,093.6

The Committee accepts the 3.7 percent increase in compensation for service disabled veterans and the same increase in dependency and indemnity compensation for surviving spouses and children of veterans who died from service-connected causes.

(In millions of dollars)

Legislative proposal	1987	Estimate 1988	1989
702 - To repeal the authority that permits VA to make education loans.			
President's request:			
Budget authority....................	0	0	0
Outlays............................	-.044	-.039	.029
Committee recommendations:			
Budget authority....................	0	0	0
Outlays............................	0	0	0

The education loan fund is used to provide loans of up to $2,500 to persons who are in training under chapter 34 or 35, title 38, U.S.C., but past their delimiting date with unused entitlement; and to veterans enrolled in flight training under chapter 34. Repayment is not required and interest is not charged until 9 months after the date the borrower ceases training. Loan amounts of more than $600 must be repaid within a period of 10 years; smaller amounts must be repaid in a proportionately shorter time.

No appropriation by Congress is required for this program. The fund balance and anticipated collections will be sufficient to support the expected volume of new loans, and authority exists to supplement this fund as required from the readjustment benefits appropriation.

The Administration has proposed that the authority permitting the VA to make education loans be repealed effective October 1, 1986, citing an excessively high default rate. The Administration estimates that only 45 veterans and survivors will be eligible for these loans in fiscal year 1987.

The Committee rejects this proposal.

(in millions of dollars)

Legislative proposal	Estimate 1987	1988	1989
702 - To terminate All Volunteer Force GI Bill for new enrollees and reopen the Veterans Educational Assistance Program (VEAP) effective October 1, 1986.			
President's request:			
Budget authority....................	84.8	70.9	19.6
Outlays.............................	25.6	75.1	46.2
Committee recommendations:			
Budget authority....................	0	0	0
Outlays.............................	0	0	0

Public Law 98-525, the Department of Defense Authorization Act of 1984, established a new educational assistance program for individuals who enter the military between July 1, 1985 and June 30, 1988. Basic pay of individuals who participate in this New GI Bill is reduced $100 a month for 12 months. Basic benefits under this program, up to a maximum of $300 per month for 36 months for full-time training, will be funded by the Veterans' Administration. The Department of Defense may fund additional education assistance benefits for retention or recruitment purposes.

Testimony received by the Committee indicates that the New GI Bill is already proving to be a highly efficient recruitment and retention tool. Statistics confirm that meaningful education benefits attract brighter young people into the Armed Forces. For example, the Army enlisted 2,300 more high quality males in the first quarter of the New GI Bill than it did in Fiscal Year 1984 - a 17% increase. Additionally, the New GI Bill has contributed to a 38% increase in high quality Army recruits during the first quarter of fiscal year 1986 over the first quarter of fiscal year 1985.

The Air Force has pointed out that the Veterans Educational Assistance Program (VEAP), with a participation rate of only 6%, was a neutral recruiting incentive. The New GI Bill, in contrast, already has a participation rate of 38%. The Air Force also notes that the New GI Bill is producing a steady flow of high quality new accessions who are vitally needed to sustain the high technology environment in the Air Force.

This new educational assistance program benefits our armed services but, more importantly, it benefits individual servicemembers. Further education enhances the quality of life for our veterans and also benefits the nation as a whole. Using 1981 census data, the Census Bureau estimates a typical high school graduate's lifetime income at $954,000 while a typical college graduate's income soars to $1,329,003. The increased taxes paid on the additional $350,000 earned by the college graduate will more than repay the cost of the GI Bill benefits.

The Administration's proposal to terminate the New GI Bill and replace it with the inefficient and unpopular VEAP program is shortsighted. The Committee believes the new program should proceed through the full three year test period.

The Committee rejects this proposal.

(In millions of dollars)

		Estimate	
Legislative Proposal	1987	1988	1989
703 - To provide (1) authority to contract for home health services and (2) resources for the administrative costs of implementing the legislative proposal to reform medical care eligibility for non-service-connected veterans based on a means test.			
President's request:			
Budget authority..................	+2.327	+4.247	+5.967
Outlays...........................	+2.327	+4.247	+5.967
Committee recommendation:			
Budget authority..................	+ .767	+ .767	+ .767
Outlays...........................	+ .767	+ .767	+ .767

(1) In the report to the Budget Committee for fiscal year 1986, the Committee recommended enhancing the VA's hospital-based home care programs. The Committee continues to consider important approaches to innovative health care which emphasize alternatives to long-term institution-based care. The current situation where eligible veterans needing health care are being turned away from VA facilities, where the increased demand from the rapidly aging veteran population is already being felt, and where the constraints on VA resources are very tight makes imperative cost-effective alternatives to building additional hospital and nursing care beds and to providing staff to care for patients 24 hours a day. Providing home health care through the fee-basis mechanism can enhance this VA alternative health care delivery modality.

The Committee accepts this proposal.

(2) The Administration is reproposing its reform of medical care eligibility for non-service-connected veterans based on a means test.

The Committee and the Congress addressed the issue of medical care eligibility reform during the First Session of the 99th Congress when the provisions of H. R. 1538, the "Veterans' Compensation Rate and Job Training Amendments of 1985," (House Report 99-337, Part I) were incorporated by the Committee on the Budget into H. R. 3500, the Omnibus Budget Reconciliation Act of 1985 (House Report 99-300). The veterans' benefits and services provisions of H. R. 3500 revised existing eligibilities for health care furnished by the Veterans' Administration, and established a "health-care income threshold" for purposes of determinations of eligibility based on "inability to defray" the cost of needed non-service-connected care. H. R. 3500 was passed by the House on October 24, 1985 and its provisions were subsequently incorporated into H. R. 3128, as amended, the Consolidated Omnibus Budget Reconciliation Act of 1985. The conference agreement on H. R. 3128, as amended, is presently awaiting resolution. (See Congressional Record of December 19, 1985, Volume 131, Part III, pp. H 13283-13288).

The Committee rejects the Administration proposal in view of the pending conference agreement on H. R. 3128, as amended.

(In millions of dollars)

	Estimate		
Legislative proposal	1987	1988	1989
703 - To effect reimbursement from third party insurance carriers for the cost of medical care and treatment to veterans with non-service-connected disabilities effective April 1, 1986.			
President's request:			
Budget authority..................	-187.5	-265.0	-275.0
Outlays...........................	-187.5	-265.0	-175.0
Committee recommendation:			
Budget authority..................	-204.0	-356.0	-405.0
Outlays...........................	-204.0	-356.0	-405.0

This legislative proposal is a reproposal of a legislative initiative presented to the Congress by the Administration during the First Session of the 99th Congress.

The Committee and the Congress rejected the proposal and addressed the issue of third party reimbursement during the First Session of the 99th Congress when the provisions of H. R. 1538, the "Veterans' Compensation Rate and Job Training Amendments of 1985," (House Report 99-337, Part I) were incorporated by the Committee on the Budget into H. R. 3500, The Omnibus Budget Reconciliation Act of 1985 (House Report 99-300). H. R. 3500 was passed by the House on October 24, 1985 and its provisions were subsequently incorporated into H. R. 3128, as amended, the Consolidated Omnibus Budget Reconciliation Act of 1985. The Conference agreement on H. R. 3128, as amended is presently awaiting resolution (See Congressional Record of December 19, 1985, Volume 131, Part III, pp. H 13283-13288.)

The Committee rejects the Administration's proposal in view of the pending Conference agreement on H. R. 3128, as amended.

(In millions of dollars)

Legislative Proposal	Estimate 1987	1988	1989
704 - To increase the loan origination fee from 1 percent incrementally over the next four years. 1 to 2 percent in FY '87; 2 to 2.5 in FY '88; 2.5 to 3 in FY '89; and 3 to 3.8 in FY 90 and thereafter			
President's request:			
Budget authority............	0	0	0
Outlays......................	-131.8	-146.2	-227.3
Committee recommendation:			
Budget authority............	0	0	0
Outlays......................	0	0	0

In enacting the Deficit Reduction Act of 1984, the Congress addressed the funding deficiency in the Loan Guaranty Revolving Fund. The enactment of Public Law 98-369 was intended not only to make the Loan Guaranty Revolving Fund solvent in future years, but to demonstrate Congressional interest in the continuation of this program which has benefited 11.9 million veterans.

Although appropriations were necessary in FY '85 and FY '86, the program has stabilized due to an upward swing in the economy as well as the effect of P.L. 98-369. The Congress rejected a proposal to increase the origination fee last year. Although the increased user fee recommendation was accepted by the Senate Budget Committee, the proposal was never supported by the House Budget Committee and the House Committee on Veterans' Affairs. Subsequently, the House position prevailed and this proposal was not contained in the Reconciliation bill which was enacted. It should be noted that the budget request for FY '87 does not contain any request for an appropriation whether an increased user fee is adopted or not. This proposal, therefore, is recommended by the Administration simply to raise revenue at the expense of homebuying veterans. The Committee views this as an unfair tax on veterans. To the extent that revenues exceed operating costs or losses, they are taxes. Raising taxes is fundamentally different from cutting spending, and the higher fee is nothing less than a tax on housing. Interest rates are at their lowest in six years and some veterans are in a position, for the first time, to buy their own homes. To impose an increased user fee on these potential homebuyers now would place an undue burden upon them.

The Committee, therefore, opposes any increase in the user fee.

(In millions of dollars)

Legislative Proposal	Estimate 1987	1988	1989
705 - Change eligibility for plot allowances to be consistent with the eligibility requirements for the basic burial allowance			
President's request:			
Budget authority............	-31.2	-33.2	-35.1
Outlays......................	-31.2	-33.2	-35.1
Committee recommendation:			
Budget authority............	0	0	0
Outlays......................	0	0	0

At the time the Committee received the Administration proposal in the FY '82 Budget to change the eligibility requirements for the basic burial allowance, the Office of Management and Budget contacted the Committee and stated that they did not want to simultaneously change the eligibility requirements for the plot allowance. OMB wished to keep this benefit intact so that the death certificates accompanying applications for the plot allowance could be used by the Government for statistical and research purposes.

The Committee concurred with OMB. The Committee believes the collection of veterans death certificates continues to be an important Government function for census accuracy as well as research purposes. In addition, the Committee believes that the Government should not renege on its contract to pay plot allowances to the individual states which have established veterans cemeteries.

The Committee, therefore, rejects this proposal.

(In millions of dollars)

Legislative Proposal	Estimate 1987	1988	1989
705 - To provide resources for General Counsel to recover or collect from health insurance policies the cost of medical care for non-service-connected veterans.			
President's request:			
Budget authority............	.952	.952	.952
Outlays.....................	.952	.952	.952
Committee recommendation:			
Budget authority............	.952	.952	.952
Outlays.....................	.952	.952	.952

This proposal provides funds for the Office of the General Counsel and administrative costs to recover or collect medical treatment costs from health insurance policies of certain non-service-connected veterans treated in Veterans' Administration facilities.

The Committee agrees that these costs will be valid in support of either the Administration or the Committee proposal.

B. Congressional Proposals

(In millions of dollars)

Legislative proposal:	Estimate 1987	1988	1989
701 - To improve the disability compensation program for former prisoners of war.			
President's request:			
Budget authority...............	0	0	0
Outlays........................	0	0	0
Committee recommendation:			
Budget authority...............	(1)	(1)	(1)
Outlays........................	(1)	(1)	(1)

*(1) Insignificant

Public Law 97-37 expanded basic eligibility criteria for certain benefits and health care for former prisoners of war by reducing the requisite incarceration period from 6 months to 30 days for a presumption of malnutrition; providing service-connected benefits for psychosis and anxiety states regardless of when first shown unless there is an intercurrent cause; and provided inpatient and outpatient medical treatment on a new priority basis.

The Committee expects to report legislation to expand basic eligibility criteria for service-connected benefits for three medical conditions, traumatic arthritis, spastic colon and organic residuals of hypothermia (or frost-bite), where such conditions are shown to exist and there is no intercurrent cause. Service organizations representing prisoners of war have testified to the effect that the lack of medical records established during captivity effectively prevents approval of their claims for residuals of these disabilities.

The requisite incarceration period for eligibility for dental treatment would be reduced from six months to ninety days.

The cost of these provisions will be insignificant.

(In millions of dollars)

Legislative proposal	Estimate 1987	 1988	 1989
702 - To amend Veterans Readjustment Appointment Program.			
President's request:			
Budget authority......................	0	0	0
Outlays...............................	0	0	0
Committee recommendation:			
Budget authority......................	0	0	0
Outlays...............................	0	0	0

The Veterans Readjustment Appointment (VRA) program allows eligible Vietnam era veterans to be appointed noncompetitively to a Federal civilian job which leads to competitive status and career or career-conditional tenure upon satisfactory completion of 2 years of service and education or training.

This highly successful program has enabled hundreds of thousands of Vietnam Era veterans to pursue a career with the Federal government. The authority to make VRA appointments, however, expires September 30, 1986. The Committee will consider legislation to extend this authority to December 31, 1991, and to make other improvements in this program.

(In millions of dollars)

	Estimate		
Legislative Proposal	1987	1988	1989
702 - To improve new educational assistance programs for veterans and for members of the Armed Forces.			
President's request:			
Budget authority............	0	0	0
Outlays.....................	0	0	0
Committee recommendation:			
Budget authority............	24.0	1.0	-35.0
Outlays.....................	24.0	19.0	89.0

As noted elsewhere in this document, the Administration's budget proposal contains a recommendation to close the New GI Bill for new enrollees effective October 1, 1986. The Committee strongly rejects this proposal as one which is shortsighted and which will have a negative effect on our military services.

Rather than terminate the New GI Bill, this Committee will consider legislation (H.R. 3747, amended) which has been recommended by the Subcommittee on Education, Training and Employment to improve the New GI Bill. The Committee feels that these amendments will enhance this new educational assistance program and allow the New GI Bill to achieve its full potential as a recruitment and retention device and as a meaningful readjustment benefit.

It should be noted that the establishment of the "Veterans' Administration New GI Bill Educational Assistance Fund" in the U.S. Treasury would create no new spending authority. The pay reductions of participants in the New GI Bill would be deposited in this trust fund. The VA Administrator would use this fund to pay basic benefits and make refunds to program participants. Interest would be earned on any portion of the fund which is not currently needed to meet VA obligations. It is important to point out that there is no effect on outlays with the creation of this fund, nor would the Federal deficit be increased in any way. The creation of the fund does, however, require a score-keeping change to reflect the contribution in the Educational Assistance Fund. This score-keeping change is necessitated because existing contributions which are made by servicemembers are not set aside for the purpose of providing future educational benefits; instead they revert to the Treasury. Under the Committee's proposal, budget authority would technically increase in the initial years of the fund, since contributions would be "banked" or saved in the trust find to offset future needs for appropriations.

Additionally, outlays shown in FY 1988 and FY 1989 result from the termination of the Veterans' Educational Assistance Program (VEAP). This unpopular and ineffective program, which was suspended under a provision of P.L. 98-525 for the period July 1, 1985 through June 30, 1988, is a contributory program. A servicemember's contribution of up to $2,700 is matched on a 2 for 1 basis by the Federal government. The servicemember is required to serve on active duty for 2 years before beginning to use the education benefits. Thus, the outlays shown in the cost estimate reflect the loss of contributions during fiscal years 1988 and 1989 anticipated in the baseline estimate prepared by CBO. Savings would, of course, result in later years due to the termination of this program.

(In millions of dollars)

	Estimate		
Legislative Proposal	1987	1988	1989
703 - To prohibit the Administrator of Veterans' Affairs from carrying out certain proposed real estate transactions.			
President's request:			
Budget authority.............	0	0	0
Outlays......................	0	0	0
Committee recommendation:			
Budget authority.............	0	0	0
Outlays......................	0	0	0

The Administrator proposes to declare as excess certain real property at the Veterans' Administration Medical Center at West Los Angeles, California (consisting of approximately 109 acres) and at Sepulveda, California (consisting of approximately 46 acres).

The Committee has long been concerned about the excessing of property belonging to the Veterans' Administration, particularly when it is known that additional property will be needed beyond the year 2000 to take care of the health care needs of the aging veteran population. The Veterans' Administration has reported that since September, 1970, the Veterans' Administration has transferred from its jurisdiction over 1,600 acres of land. The Committee is concerned that the VA is already turning away over 35,000 veterans monthly. The Committee is also concerned with the documented forecast of a dramatic increase in the number of veterans 65 years of age or over who will need health care treatment at VA facilities in the next two decades. The Committee believes this acreage may be needed for improvement or expansion of the presently overburdened medical facility system. This belief has been accelerated by the high cost of leasing space for regional office and outpatient activities, since it has proven more cost-effective to construct such facilities on Veterans' Administration medical center property.

The Committee rejects this proposal. The Chairman has introduced H. R. 4204, a bill to prohibit these real estate transactions.

(In millions of dollars)

	Estimate		
Legislative proposal	1987	1988	1989
704 -- Veterans' Housing Amendments of 1986			
President's request:			
Budget authority.............	0	0	0
Outlays......................	0	0	0
Committee recomendation:			
Budget authority.............	(1)	(1)	(1)
Outlays......................	(1)	(1)	(1)

(1) Estimates not available

As with conventional loans, the high unemployment rate in the early 1980's caused a substantial mortgage foreclosure increase in VA guaranteed home loans. Faced with record-high deficits, and in an attempt to budget for outlays which resulted from loan guaranty commitments, the Administration recommended proposals in the last three VA budgets which were directed only toward a single year's budget outlay rather than toward any true reduction in budget deficits with long-range deficit effects.

The FY' 87 budget contains an optimistic prognosis and appropriations will not be necessary in FY 87 to operate the program. The Committee believes that the VA Home Loan Guaranty Program is not only beneficial to veterans but also helps to boost the economy by providing a source of credit reinforcement without which the building industry might tend to languish.

In an effort to assure the continuation of this program, which has benefited more than 11.9 million veterans, the Committee plans to consider legislation directed at the future solvency of the program. The Committee believes this can be done by the use of fee basis attorneys to foreclose VA portfolio loans and collect debts, modifying current debt collection procedures, and holding the VA harmless for the guaranty where the lender has improperly underwritten and/or documented a mortgage at the time of origination and subsequent foreclosure action on a mortgage resulting from a delinquency within four months of the origination date.

COMMITTEE ON VETERANS' AFFAIRS NONLEGISLATIVE PROPOSALS
FISCAL YEAR 1987

(In millions of dollars)

	FTEE	Estimated budget authority
703 - Medical care:		
To maintain a current services level in the VA health care system........................	8,848	$507.017

Section 5010 of title 38, U.S.C. requires the VA to operate and maintain not less than 90,000 hospital and nursing home beds. Public Law 99-160, the HUD-Independent Agencies Appropriation Act for fiscal year 1986, mandated a VA medical staffing level of 193,941. Yet, the proposed Administration budget for medical care for fiscal year 1987 contains reductions in FTEE of 8,927 and proposes to operate only 85,578 hospital and nursing home beds. Of the reduction in FTEE, 6,988 will result from treating fewer veterans and 1,939 through a "productivity increase". When the cut of 1,306 FTEE resulting from P.L. 99-177 (the Balanced Budget and Emergency Deficit Control Act of 1985) is considered, existing VA medical staff will have been cut by 10,233 persons during the single calendar year of 1986.

The VA reports that each month it is now turning away over 35,000 eligible veterans. The generally acknowledged increase in medical care needs from a rapidly aging eligible veteran population is already being felt and will continue to increase until an expected peak in the year 2000. As was stated in the report to the Budget Committee for fiscal year 1986, it is clear that resources must increase over the next two decades to meet this large and increasing demand.

The Committee is recommending a restoration of the funds and personnel necessary to maintain a current services level in the VA health care system. This recommendation includes funds for projected salary levels for 193,941 FTEE during fiscal year 1987.

(In millions of dollars)

		Estimate	
	1987	1988	1989
703 - Construction Additions			
A. Add funds for site acquisition of Palm Beach Hospital			
Budget authority............	$6	0	0
Outlays.....................	6	0	0
B. Add funds for design VAMC Pittsburgh (Aspinwall Division)			
Budget authority............	5.3	0	0
Outlays.....................	5.3	0	0
C. Add funds for nursing home construction at Hampton, VA			
Budget authority............	5.7	0	0
Outlays.....................	5.7	0	0
D. Add funds for nursing home construction at Tampa, FL			
Budget authority............	6	0	0
Outlays.....................	6	0	0

The proposed budget would reduce funding for medical facility construction by approximately 41 percent from the fiscal year 1986 budget. The committee views this as a shortsighted savings since both the age and condition of the capital plant of the VA and the rate of change in the practice of medicine require regular infusions of resources. Even beyond concern with the physical and technological aging of facilities, inadequate current capacity results in the turning away monthly of over 35,000 eligible veterans needing health care, a number expected to increase with the anticipated needs of aging veterans. The situation in the sun belt states, among them Florida, is even more severe. There have been numerous studies and reports documenting the existing high level of need, as well as the rapid growth in need, caused by migration to Florida.

The Committee is recommending the inclusion of funds for site acquisition of the Palm Beach Hospital and design funds for VAMC Pittsburgh (Aspinwall Division).

No new nursing homes are being requested in the budget while the VA's five-year construction plan calls for four nursing homes for this fiscal year. Current problems in the distribution and availability of all nursing home beds are evidence of how seriously flawed and ill-advised is the proposed complete dependence on alternative sources of nursing home beds, such as community nursing homes and conversion of hospital beds to meet the need for such care by veterans. The proposed nursing home projects at Hampton, Virginia and Tampa, Florida, are in areas where there is no alternative source of beds.

The Committee is recommending the inclusion of funds for nursing home construction projects at Hampton, Virginia, and at Tampa, Florida.

In addition, the Committee notes that in fiscal year 1986, it authorized the 60-bed Wilkes-Barre project in the full amount requested of $4.1 million. Subsequently, the VA was directed by the Committee on Appropriations in the report accompanying H.R. 3038, the Department of Housing and Urban Development-Independent Agencies Appropriation Bill for fiscal year 1986, "to proceed with the design of a $4.1 million 60-bed nursing home care unit project at Wilkes-Barre in 1985."

The Committee anticipates that the balance of the $4.1 million will be included in this year's appropriations bill, so that the project can be constructed in fiscal year 1987.

[illegible]

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

February 19, 1986

The Honorable William H. Gray, III
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This letter transmits the views and estimates of the Committee on Ways and Means, as required by section 301(d) of the Congressional Budget Act of 1974, on those aspects of the Federal budget for fiscal year 1987 which fall within the Committee's jurisdiction.

In making this report, the Committee on Ways and Means wishes to express its deep concern about national economic conditions in fiscal year 1987 and beyond. Large budget deficits have been projected, and we believe that serious bipartisan efforts must be made by the Congress and the President to address them.

The huge U.S. trade deficit of nearly $150 billion in 1985 is also of concern and has resulted, in large part, from the effect of the U.S. fiscal deficit on interest rates and the value of the U.S. dollar, making it extremely difficult for U.S. companies to compete in the world marketplace. The trade deficit has also been exacerbated by a number of trade barriers maintained by foreign governments which are significantly reducing U.S. export opportunities. You will be pleased to know that the Committee on Ways and Means anticipates working on comprehensive trade reform legislation which will effectively address these foreign trade barriers, make U.S. trade laws more effective in combatting unfair trade practices, and provide the authority for a new round of multilateral trade negotiations while encouraging international discussions on monetary reform. We strongly believe that this legislation will pass the Congress this year and result in a significant reduction of our trade deficit. Such legislation should have a positive, but at this time, unquantifiable effect on our budget deficit as well.

We will work closely with the House leadership and the House Budget Committee in the development of a fiscal year 1987 budget that significantly reduces the Federal deficit. We will make every effort to comply with the outlay and revenue directives to the Committee which will be contained in the House budget resolution.

I. Revenues -- The Congressional Budget Office estimates fiscal year 1987 revenues at $844 billion. Last year, the House passed H.R. 3838, the Tax Reform Act of 1985. This year we expect to pass a conference report on tax reform. One principle that will be maintained is that the final legislation will be revenue neutral as compared to current law. We take note of the fact that the President's budget contains numerous receipt proposals which increase revenues by $6.3 billion; some $3.0 billion of these provisions do not appear to be within the legislative jurisdiction of this Committee. We would also note that a version of one of the receipt proposals recommending an IRS cost of collection charge has already been approved and incorporated in H.R. 3838. Therefore, the three-year savings of approximately $1.1 billion should not be double-counted.

II. Outlays -- The Committee on Ways and Means has jurisdictional responsibility over a broad range of programs. The President's budget contains some $6.0 billion in outlay reductions for fiscal year 1987 in these programs, primarily in the medicare program. In addition, there are several provisions which affect the Aid to Families with Dependent Children (AFDC) program; there is no reauthorization of the trade adjustment assistance programs; there are premium increases for the Pension Benefit Guaranty Corporation (PBGC); and significant new proposed user fees in the Customs Service and the Internal Revenue Service. The Committee and our Subcommittees will carefully review the budget reduction proposals contained in the Administration's budget as well as alternative measures that will reduce Federal expenditures. We obviously will exercise our judgement about precisely where and how the outlay reductions should be achieved.

The Committee wishes to express its concern about the size of the proposed medicare reductions. For example, the Committee recognizes that indirect medical education payments should be reduced; and under last year's reconciliation bill, three year savings of $1.7 billion would be achieved. The Administration, however, proposes a substantially larger savings of $3.8 billion in this area, which may not be a realistic or appropriate reduction.

The Administration also proposes to increase part B medicare premiums substantially and to significantly increase out-of-pocket costs for beneficiaries. Furthermore, it also proposes to institute by regulation a new reimbursement system for hospital capital and to reduce physician reimbursement for certain procedures. The three-year savings for these proposals is approximately $14 billion. While the Committee will work diligently in this area, it may not be reasonable to expect providers or beneficiaries to absorb the level of reductions proposed by the Administration in the medicare program.

The Committee also intends to consider the need to reauthorize the trade adjustment assistance program which expired on December 19, 1985.

In addition, the Committee authorizes appropriations for certain trade agencies and programs. The Administration has recommended significant cuts in some of these agencies, particularly in the Office of the U.S. Trade Representative and the U.S. Customs Service. The Committee will consider an authorization bill later this spring, but it is very likely that, in light of our growing trade deficit, the Committee will recommend higher funding levels than proposed by the Administration.

Turning to a related matter, we would urge your Committee to reject the Administration's proposal to impose users' fees on virtually all Customs' transactions. Although this proposal is appealing on its face because it would result in additional receipts of over $500 million per year, the proposal is extremely controversial and has a number of problems associated with it. During our consideration of this proposal last session, the House Committee on Ways and Means and Senate Committee on Finance opted for a more modest users' fee proposal in the Deficit Reduction Amendments of 1985 (H.R. 3128) which would assess fees only on arriving passengers and conveyances but not on merchandise, resulting in annual revenues of about $200 million per year. Although this, too, was controversial, it avoided many of the problems inherent in the Administration's more comprehensive proposal. We would, therefore, urge you to drop either the Customs' user fee concept entirely or at the very least adopt the more modest approach endorsed by this Committee last year.

As part of an overall budget deficit reduction effort, the Committee is deeply committed to the concept that outlay reductions be fair and not disproportionately affect any one group of individuals, families, or businesses.

III. Public Debt Limit -- The Congressional Budget Office estimates that the fiscal year 1987 unified budget deficit will be $181 billion under current law. In the absence of any legislative action to reduce spending or increase revenue, the debt subject to statutory limit will need to be increased to $2.358 trillion for the period ending September 30, 1987.

IV. Additional Materials -- As has been our tradition to assist the Budget Committee in carrying out its responsiblities and help it in making assessments concerning the specific recommendations within the jurisdiction of the Committee on Ways and Means, I will send a copy of a Ways and Means Committee Print entitled, "Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means; 1986 edition" and a document entitled, "Description of the Administration's Fiscal Year 1987 Budget Recommendations Under the Jurisdiction of the Committee on Ways and Means." They will be delivered to your office as soon as they are printed. The latter document will contain an analysis of the Administration's revenue and outlay proposals within the jurisdiction of the Committee. This analysis will also include a description of current law, a detailed description of the proposal, CBO and Administration estimates of outlay savings and wherever possible the impact upon program beneficiaries or institutions. I hope you find this information useful. As always, the members of this Committee and its staff are available to answer any questions you may have on any aspect of this report.

With warm regards, I am

Sincerely yours,

Dan Rostenkowski
Chairman

DR/wpf

cc: Members, Committee on Ways and Means

[illegible]

Congress of the United States
JOINT ECONOMIC COMMITTEE
[illegible]
Washington, DC 20510

[illegible]

February 27, 1986

The Honorable William H. Gray, III
Chairman
House Committee on the Budget
Washington, D. C. 20515

Dear Mr. Chairman:

According to provisions of section 301(d) of the Congressional Budget and Impoundment Act of 1974, I am transmitting a copy of testimony which Vice-Chairman Abdnor and I gave to your Committee on Tuesday, February 25.

We are in the final stages of developing a Committee consensus on the Joint Economic Committee's Annual Report, which could be released as early as the latter part of next week. This report will contain the views of all the Members of the Committee, not only questions of fiscal policy which your Committee is interested in, but other aspects of the economy as well. I will send you a copy of the Annual Report when it is released.

Sincerely,

Dave Obey
David R. Obey
Chairman

Enclosures

STATEMENT OF SENATOR JIM ABDNOR

BEFORE THE

HOUSE BUDGET COMMITTEEE

FEBRUARY 25, 1986

IT IS A PLEASURE TO PRESENT THIS STATEMENT BEFORE THE BUDGET COMMITTEE.

UNTIL RECENTLY THE FISCAL 1987 BUDGET OUTLOOK SEEMED GRIM. EXCESSIVE FEDERAL SPENDING WOULD RESULT IN A FISCAL 1987 DEFICIT APPROACHING $200 BILLION, WHILE EVEN LARGER DEFICITS LOOMED IN FOLLOWING YEARS. A GRAMM-RUDMAN SEQUESTER ORDER AMOUNTING TO $50 OR $60 BILLION COULD RESULT THIS FALL, DEVASTATING MANY PROGRAMS. MOREOVER, SERIOUS CONSIDERATION OF A TAX INCREASE WAS GAINING MOMENTUM.

ONE ANALYSIS EVEN PROJECTED THE EFFECTS A FISCAL 1987 SEQUESTER WOULD HAVE ON A STATE-BY-STATE BASIS. SEVERAL NEWSPAPER ACCOUNTS DESCRIBED HOW SOUTH DAKOTA WOULD BE DEVASTATED BY ITS SHARE OF A $50 BILLION SEQUESTER ORDER. OF COURSE, THIS ANALYSIS ASSUMED CONGRESS WOULD NOT ACT TO AVERT SEQUESTRATION.

OTHER REPORTS ARGUED THAT ESSENTIAL GOVERNMENT ACTIVITIES WOULD BE CRIPPLED BY GRAMM-RUDMAN. THE COAST GUARD AND FBI WOULD BE PRACTICALLY DISMANTLED. OUR NATIONAL DEFENSE WOULD BE DEVASTATED BY DEEP BUDGET CUTS. THE SOCIAL SAFETY NET WOULD BE SHREDDED. HORROR

STORIES ABOUNDED ABOUT THE EFFECTS ON THE POOR AND HOMELESS.

EARLIER THIS MONTH OMB AND CBO BOTH ISSUED THEIR ESTIMATES OF BUDGET OUTLAYS, RECEIPTS, AND DEFICITS THROUGH FISCAL 1991. INSTEAD OF LARGER DEFICITS AS FAR AS THE EYE COULD SEE, THE DEFICITS WERE PROJECTED TO DECLINE FOR THE NEXT FIVE YEARS. THE FISCAL 1991 DEFICIT WOULD END UP AT $104 BILLION.

THE FISCAL 1987 BUDGET DEFICIT IS ESTIMATED AT ABOUT $182 BILLION. TO MEET THE GRAMM-RUDMAN DEFICIT CEILING OF $144 BILLION, BASELINE OUTLAYS MUST BE REDUCED BY ABOUT $38 BILLION. THUS, IF CONGRESS CAN MANAGE TO TRIM BASELINE OUTLAYS BY LESS THAN 4 PERCENT, NO SEQUESTRATION WOULD TAKE PLACE.

CONCEIVABLY, CONGRESS COULD EVEN COMPLY WITH GRAMM-RUDMAN BY REDUCING BASELINE OUTLAYS BY $28 BILLION. THIS WOULD AMOUNT TO LESS THAN THREE PERCENT OF THE TOTAL BUDGET. COMPLIANCE AT THIS LOWER LEVEL OF CUTS COULD RESULT BY VIRTUE OF THE $10 BILLION CUSHION PROVIDED IN THE LAW. THIS ELEMENT OF FLEXIBILITY SHOULD BE SUFFICIENT TO AVERT THE THREAT OF SEVERE DISRUPTION, IN THE UNLIKELY EVENT IT OCCURS.

I AM AWARE THAT A SEVERE RECESSION WOULD MAKE THE BUDGET OUTLOOK LESS ENCOURAGING. IT'S ALSO A FACT THAT CBO AND OMB DIFFER IN A NUMBER OF RESPECTS REGARDING PROJECTED DEFENSE SPENDING AND ECONOMIC ASSUMPTIONS. WE ALL RECOGNIZE THAT ECONOMIC FORECASTING IS AS MUCH AN ART AS A SCIENCE. THE BUDGET PICTURE COULD CHANGE AS A RESULT.

HOWEVER, THE CURRENT OVERALL ECONOMIC OUTLOOK IS GOOD, AND SEEMS TO BE GETTING BETTER ALL THE TIME. RECENT EMPLOYMENT GAINS HAVE BEEN

STRONG, AND THE UNEMPLOYMENT RATE HAS FALLEN TO ITS LOWEST LEVEL SINCE MARCH OF 1980. INTEREST RATES ARE DECLINING, THE STOCK MARKET IS BOOMING, AND HOUSING STARTS REMAIN HIGH. THE ADMINISTRATION'S ASSUMPTION OF 3.4 PERCENT REAL GROWTH IN 1987 (YEAR OVER YEAR) SEEMS FAIRLY REASONABLE.

A FAIRLY OPTIMISTIC ECONOMIC FORECAST IS JUSTIFIED BY RECENT ECONOMIC TRENDS, ESPECIALLY THE COLLAPSE OF OIL PRICES. THIS DECLINE OF OIL PRICES, IF SUSTAINED, SHOULD HELP RESTRAIN INFLATION. LOWER INFLATION WILL TEND TO LOWER EXPENDITURE GROWTH, AND THE DROP IN OIL PRICES SHOULD SAVE MONEY IN ENERGY INTENSIVE SECTIONS OF THE BUDGET SUCH AS DEFENSE.

THE FALLING PRICE OF OIL WILL PROVIDE AN ENORMOUS STIMULUS TO ECONOMIC GROWTH IN AMERICA AND ABROAD. IF FOUR PERCENT REAL GROWTH WAS A REASONABLE FORECAST BEFORE THE OIL PRICE COLLAPSE, IT MAY PROVE TO BE CONSERVATIVE NOW. A HIGHER RATE OF ECONOMIC GROWTH WOULD FURTHER PARE THE DEFICIT AND MAKE CONGRESS'S JOB EASIER. AN OIL IMPORT FEE WOULD ONLY DILUTE OR EVEN OFFSET THE BENEFICIAL EFFECTS IN THE UNITED STATES.

IN OUR SEARCH FOR BUDGET SAVINGS, NO PROGRAM OR EXPENDITURE SHOULD BE EXEMPTED FROM THE CLOSEST SCRUTINY. A HEALTHIER ECONOMY WILL MAKE THE JOB OF BUDGET CONTROL A BIT EASIER THAN IT WOULD OTHERWISE BE. BUT AS FAVORABLE AS THINGS LOOK FOR THE OVERALL ECONOMY, AGRICULTURE REMAINS IN A DEEP DEPRESSION. THE SAFETY NET FOR RURAL AMERICANS IS ALREADY UNRAVELING, AND WE MUST AVOID MAKING THEIR PLIGHT EVEN WORSE.

IN CONCLUSION, I'D LIKE TO NOTE THAT A TAX INCREASE IS NOT NEEDED UNDER GRAMM-RUDMAN IF CONGRESS DOES ITS JOB. A TAX INCREASE ONLY RUNS THE RISK OF UNDERMINING THE ECONOMIC GROWTH THAT HAS CREATED OVER 9.5 MILLION JOBS IN THE LAST 3 YEARS.

THANK YOU.

Testimony of
THE HONORABLE DAVID R. OBEY
Chairman, Joint Economic Committee
Before the House Committee on the Budget
Tuesday, February 25, 1986

Pursuant to section 301(d) of the Congressional Budget and Impoundment Act of 1974, I am pleased to make the following report as Chairman of the Joint Economic Committee concerning the fiscal policy expressed in the President's Fiscal Year 1987 budget submission and the implications which that policy has for meeting the goals expressed in the Employment Act of 1946.

The views which I am expressing are being sent today to Members of the Joint Economic Committee for their review and concurrence as part of a larger report which the Committee is preparing on overall economic policy. That report is mandated by the Employment Act of 1946 as a response to the Economic Report of the President. The President's report was signed and transmitted less than three weeks ago. We hope to have the concurrence of a majority of the Committee Members on the full report by early next week.

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There is strong bipartisan agreement on the Joint Economic Committee that the fiscal policy of the Federal Government over the last several years has been far too expansionary and that the failure to take significant steps to reconcile the gap between federal revenues and federal spending poses a significant danger to the sustained health of the American economy. These dangers include:

* Growing U.S. dependence on foreign lenders.

* Higher interest rates than would be otherwise necessary.

* Rapid growth in both the national debt and in the portion of the budget required to service that debt. Clearly the cost of debt service will significantly reduce our ability in the coming decades to use public policy to address a wide range of social, military and economic problems.

* Continued damage to U.S. manufacturing interests accompanied by the continued loss of high wage and salaried jobs in those industries. This is a direct

result of the extraordinary and prolonged misalignment of our currency against the currencies of our major trading partners.

There is also bipartisan agreement that under current economic conditions, the deficit reduction required for Fiscal 1987 under Gramm-Rudman appears to be appropriate.

Based on a review of the Office of Management and Budget and the Congressional Budget Office baseline budget projections and a variety of current economic forecasts, I believe it is clear that the degree of fiscal tightening necessary to meet the $144 billion deficit target can be achieved without significant ill-effects to the economy and with considerable short- and long-term benefits.

I know that many of the Democratic Members of the Committee, and perhaps some of my Republican colleagues as well, share my concern that the budget that the President has submitted does not contain the level of restraint mandated under the law. Specifically, it fails to meet the agreed maximum deficit target for Fiscal 1987 which the President himself called on the

Congress to enact and which he signed into law less than three months ago.

We further believe that enactment of the Administration's Fiscal 1987 budget could very easily result in the issuance of a sequestration order for the fiscal year beginning this October under the terms set by the new legislation.

One reason why we believe this budget risks the chaos which would be created by sequestration is the estimate which it contains for defense outlays. The $282 billion estimate for defense understates the real cost of the President's budget proposal in this area by $14.5 billion according to the Congressional Budget Office. While CBO has not yet completed its re-estimation of the entire Executive Budget, it would appear that the deficit which the President is asking us to enact is more in the range of $158 billion based on the Defense re-estimate.

A second reason that the budget poses a significant risk of sequestration is the economic forecast on which the budget is based. That forecast, as most of you know, was significantly out of line with the consensus forecast at the time it was issued. Since that time, the rapid and unexpected decline in oil prices has given us a boost that has helped close the gap between what private forecasters are suggesting and the forecast upon which the Administration's budget is based. This means that the Administration's forecast is now only .5 to 1.0 percent above most private sector forecasters in their projections of real growth between now and the end of Fiscal 1987. The possibility of reduced oil prices makes the Administration's economic forecast, in the words of economist Alan Greenspan, "not improbable."

But being, "not improbable," is not the same as being prudent, particularly in the era of Gramm-Rudman. If private forecasters are right and the Administration is wrong in its rose-colored view of the next 21 months, an additional $10 to $20 billion will be added to the deficit. While part of the sequestration risk from over-optimistic projections could be resolved by simply having OMB and CBO maintain an optimistic view of economic growth in their August re-estimate, regardless of economic realities, the most important quarters for determining how much revenue the government will collect in fiscal year 1987 will occur between now and August. If, for instance, real GNP growth were to remain relatively flat -- at the 1.2 percent level we experienced in the last quarter -- the growth forecast for fiscal 1987, which would be required of CBO and OMB in their August reports to prevent a decline in estimated 1987 revenues, would be in excess of 6.5 percent.

We find the Executive Branch's failure to submit a budget which meets the Gramm-Rudman targets deeply disturbing since such a large majority of the budgetary expertise and resources needed to find deficit reductions are allocated to the Executive Branch of government. There is far too little attention in the public debate over the Federal budget to the fact that the Congressional Budget process passed in 1974 was created to supplement, not replace, the Executive budget process.

In 1921, the Appropriations Committees rebelled at the fact that each agency of government submitted its own independent spending request without approval or clearance from the White House. The 1921 Executive Budget Act directed the President to collect those requests, revise them and submit them in aggregate to the Congress. The Employment Act of 1946 further strengthened the President's legal responsibility in establishing Federal budget policy.

While Congress needed a far more effective means of responding to Presidential budgets than was true prior to 1974, the Congressional Budget Act was not intended to diminish the basic role of the President in preparing or presenting the Executive budget. The burden for taking the first and most important step in structuring a viable budget still rests with the President. This is true not only as a matter of law but also in terms of the resources which have been made available to the President for the purpose of budget preparation.

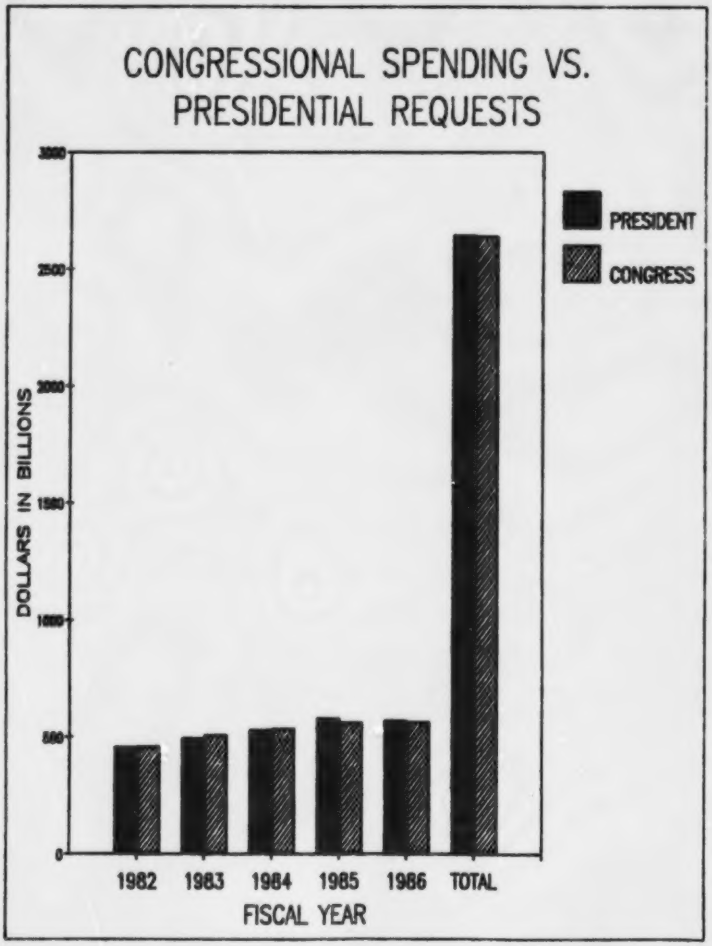
When the Executive Branch effectively punts on its leadership role in the budget process, it is extremely unlikely that the Congress alone has leverage necessary to prevent an ineffective and unbalanced use of tax dollars. The system is simply not set up to work that way.

Producing a good Executive budget requires not only the Administration's best judgment on issues of substance; it also requires considerable skill in determining how the Executive and Legislative Branches can arrive at an agreement that reflects the best collective judgment of both Branches on what the Nation's priorities and fiscal policy should be. When budgets are repeatedly rejected by actual or near majorities of the President's own party, it is a good indication that the Administration has failed on both counts.

It should also be emphasized that contrary to what the Administration says about the origins of the deficit problem, the fact that both Houses of Congress have in recent years rejected the Presidential budgets does not mean they have voted for higher levels of spending. Graph A shows that in only one of the last five years has the Congress appropriated more than the Administration requested, and overall the President has received, $3 billion less in appropriations than he has asked for.

Perhaps one reason for the Administration's repeated submission of "dead-on-arrival" budgets and its failure this year to meet the deficit reduction target required under Gramm-Rudman, is that the Administration's stated priorities in terms of

GRAPH A


CONGRESSIONAL SPENDING VS. PRESIDENTIAL REQUESTS
PRESIDENT
CONGRESS
DOLLARS IN BILLIONS
3000
2500
2000
1500
1000
500
0
1982
1983
1984
1985
1986
TOTAL
FISCAL YEAR

spending and tax legislation cannot be reconciled with its stated goals in fiscal policy.

This can be easily illustrated by Graph B which compares 1980 spending with the 1987 request. It was prepared with the very valuable assistance of the House Budget Committee staff.

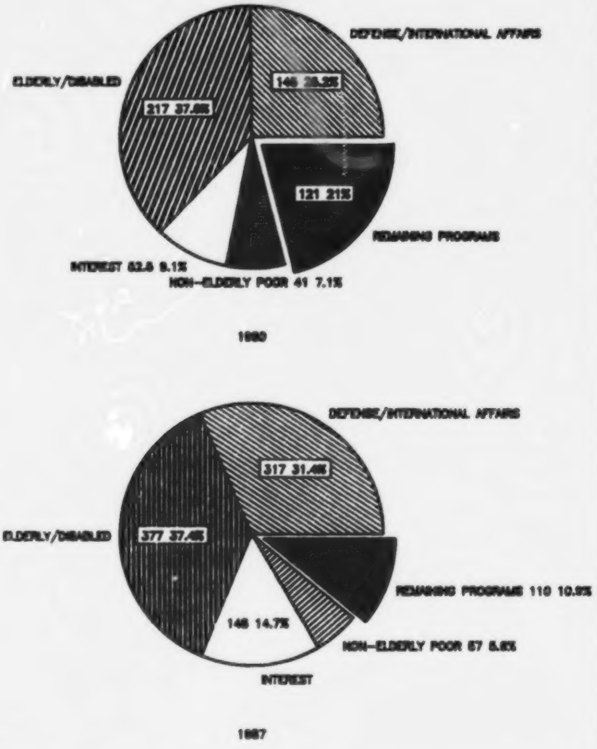
Graph B disaggregates the budget in terms of categories that describe the purpose and beneficiaries of each type of Federal spending more clearly than the technical terminology in which we normally deal. For instance, the term "transfer payments" which is usually used, describes a mechanism of budgeting, but does not describe who is getting what and for what purpose they are getting it.

Graph B demonstrates the following:

* Spending for non-elderly poor has increased in nominal dollars but has declined as a percentage of the budget and has declined in terms of per capita real dollars because of the increased poverty we have experienced during the 1980's.

GRAPH B

BUDGET OUTLAYS
1980 VS. 1987 PRESIDENT'S BUDGET
(BILLIONS OF DOLLARS)



* Spending for the elderly has grown in nominal terms but has stayed constant as a percentage of total budget.

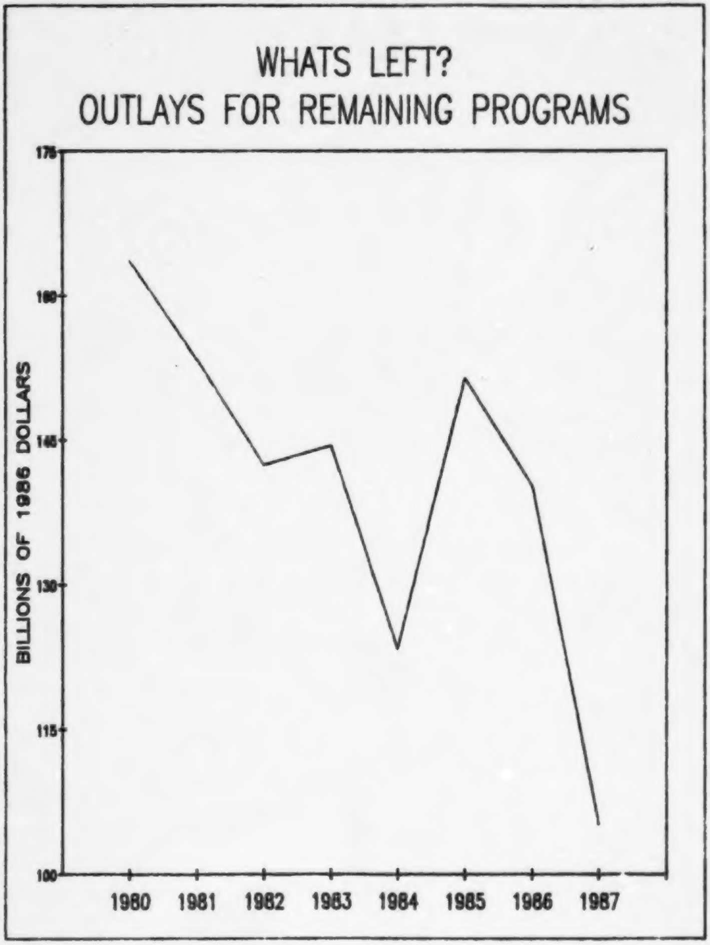
* Spending for two other categories, defense and foreign affairs, and interest on the debt have grown in nominal terms and as a percentage of the total budget.

That means that the major part of the budget that is being squeezed is the portion that contains two functions:

(1) the day-to-day operation of vital government activities which range from tax collection and drug interdiction to environmental enforcement and law enforcement, and

(2) investment in activities that increase America's ability to compete for the remainder of this century. That includes everything we invest in the development of our children by way of education; everything we invest to expand our scientific knowledge --whether it is knowledge to keep us on the leading edge of technological change or knowledge to improve our

GRAPH C



WHATS LEFT?
OUTLAYS FOR REMAINING PROGRAMS

prevention and treatment of cancer and other dreaded diseases. It includes investments in the things that make our communities places where business can make a buck and provide jobs -- investments like roads, sewage treatment facilities, etc.

Under the President's recommendations, this remaining portion of the government's budget (operations and investment) will have been cut in half as a percentage of the total budget since 1980. In addition to being slashed as a percentage of the budget, the purchasing power of the dollars in this budget category will have been reduced by more than one-third in real dollar terms.

The Congressional Budget Office has indicated that even without the President's new budget, domestic discretionary programs have been reduced from a high of 5.8 percent as a percent of GNP in 1980 to 4.1 percent today. That puts it below the 4.2 percent level that prevailed in 1962 before any of the Great Society programs were enacted. Under the CBO baseline it will decline to 3.4 percent of GNP by 1991. Under the President's new budget it will shrink to 2.7 percent.

But the most important information these charts provide is that the Administration's professed budget priorities are clearly inconsistent with their espoused fiscal policy goals as well as the legal requirements in Gramm-Rudman.

The President says that he will maintain a social safety net for the truly needy. The President has also said, and most recently Secretary Baker has testified before your Committee, that Social Security and entitlement programs must be maintained and the charts indicate that the retirement portion of the budget has been sustained. Interest will continue to grow with the growth in the national debt, and we are all familiar with the President's position in insisting on significant increases in defense and foreign aid. In terms of new budget authority he is asking more than 8 percent real growth in defense for the coming year alone.

Most of the cutting has to continue to come from the small portion of the budget that has already been savaged for the last five years. Clearly, even the White House is beginning to feel uncomfortable with what is happening with that portion of the budget. They could have actually reached the $144 billion Gramm-

Rudman target without shaving $14 billion from the defense outlay estimate if further cuts in the "remainder" category were less painful to them.

The thrust of Administration budget policy has clearly been to shrink the investment portion of the budget. But the big problem is that even if you meet Gramm-Rudman targets in 1987 you still have $144 billion in deficit reduction to go and only $110 billion is left in the only major portion of the budget this Administration has targeted for shrinkage.

Of course the Administration has an easy answer. They say that if we only make the cuts which they have asked for in Fiscal 1987 that the budget will balance itself by 1991. In other words, we are back to the old argument that "we can grow out of it."

How realistic is that assertion?

Well, the average growth rate over the first five years of this Administration has been 2.3 percent annually. But the Administration is predicting a 4 percent growth rate annually each year between now and 1990. That rate of growth would be 74 percent higher than the average rate of growth we have experienced since this Administration came into office. Such a sustained level of high growth would be an extraordinary event in our Nation's economic history and constitutes a prediction which virtually no reputable private forecaster is willing to either join in or even approximate. Since 1981 this Administration has repeatedly told us that we should expect long-term growth at levels far above those we have averaged since the end of World War II. Instead, we have experienced growth well below the post-war average.

Most recently, the Chairman of the President's Council of Economic Advisers announced half way through the fourth quarter of 1985 that the Administration would stick with its forecast of 5 percent growth in the last half of 1985 because growth in the fourth quarter would be between 5 percent and 6 percent. Numbers released 10 days ago showed actual growth in the fourth quarter was only 1.2 percent indicating an error in forecasting of more than 3.8 percentage points. It is difficult to understand how the Administration can exude confidence in long-term forecasts so far out of line with the concensus of private forecasters, the

Nation's economic history and the economic history of this Administration when their current quarter judgments can be off by nearly 4 full percentage points.

Even if the Administration is correct, there is one major point that it fails to mention in urging the adoption of this year's budget. A high growth forecast can result in a balanced budget by 1991 with no cut below current services at all.

Table II-5 on page 70 of the CBO "Economic and Budget Outlook: Fiscal Year 1987-1991," illustrates the budgetary impact of varying economic forecasts. A high growth scenario used by CBO would involve six years of growth ranging from 4 percent to 4.6 percent. The average forecast for each of the six years is 4.4 percent. This forecast would result in a $70 billion budget surplus by 1991 if the White House and the Congress make no cuts at all below current policy. The Administration's 4 percent forecast would bring the CBO baseline budget to roughly a zero deficit with no spending cuts either this year or in the future.

Clearly, those of us concerned about the present course of fiscal policy would find it more prudent to look at what would

SUMMARY TABLE 4. ALTERNATIVE ECONOMIC AND BUDGET PROJECTIONS

	1986	1987	1988	1989	1990	1991
Economic Projections (By calendar year)						
Real GNP (percent change)						
High-growth alternative	4.0	4.3	4.4	4.6	4.6	4.6
Baseline	3.2	3.1	3.3	3.5	3.5	3.2
Low-growth alternative	3.0	-0.7	-0.8	5.4	3.4	3.2
CPI-W (percent change)						
High-growth alternative	3.4	4.3	5.2	6.3	7.5	9.1
Baseline	3.4	4.2	4.4	4.4	4.3	4.3
Low-growth alternative	3.6	4.4	3.9	3.0	2.5	2.5
Civilian Unemployment Rate						
High-growth alternative	6.6	6.3	5.8	5.5	5.1	4.6
Baseline	6.7	6.7	6.5	6.3	6.1	6.0
Low-growth alternative	6.9	8.4	9.9	8.9	8.8	8.7
Three-Month Treasury Bill Rate						
High-growth alternative	6.5	6.1	7.5	8.5	9.7	11.1
Baseline	6.8	6.7	6.4	6.1	5.7	5.4
Low-growth alternative	7.6	7.7	5.9	5.6	4.9	4.3
Budget Projections (By fiscal year, in billions of dollars)						
Deficit (-) or Surplus						
High-growth alternative	-202	-154	-111	-61	-1	70
Baseline	-208	-181	-165	-144	-120	-104
Low-growth alternative	-210	-224	-282	-271	-238	-237

TABLE II-5. CBO BUDGET PROJECTIONS UNDER ALTERNATIVE ECONOMIC ASSUMPTIONS (By fiscal year, in billions of dollars)

	1986	1987	1988	1989	1990	1991
Revenues						
High-Growth Alternative	784	866	971	1,086	1,228	1,403
CBO Baseline Projection	778	844	921	991	1,068	1,144
Low-Growth Alternative	777	818	828	882	948	995
Outlays						
High-Growth Alternative	985	1,020	1,082	1,147	1,229	1,333
CBO Baseline Projection	986	1,025	1,086	1,135	1,188	1,248
Low-Growth Alternative	987	1,042	1,111	1,153	1,185	1,232
Deficit						
High-Growth Alternative	202	154	111	61	1	-70a/
CBO Baseline Projection	208	181	165	144	120	104
Low-Growth Alternative	210	224	282	271	238	237

SOURCE: Congressional Budget Office.

a. Surplus

happen to the deficit if growth over the next five years were roughly similar to what we have experienced over the last five years, that is roughly 2.3 percent. That happens to be only slightly above (five hundreths of one percent) the average of the yearly projections in CBO's slow growth scenario also on Table II-5. Under that scenario deficits would rise from current levels to $237 billion by 1991 with no change in policy.

The safest course for responsible policymakers concerned about the deficit is to not assume that growth alone will take care of our problems.

But if the President insists that most spending cuts must come from one small portion of the budget, a portion containing less spending than the remaining deficit reduction required by Gramm-Rudman, how can this requirement be met?

There are three options:

(1) Increase revenues

(2) Force a re-examination by both Branches of government of the items that are off the table.

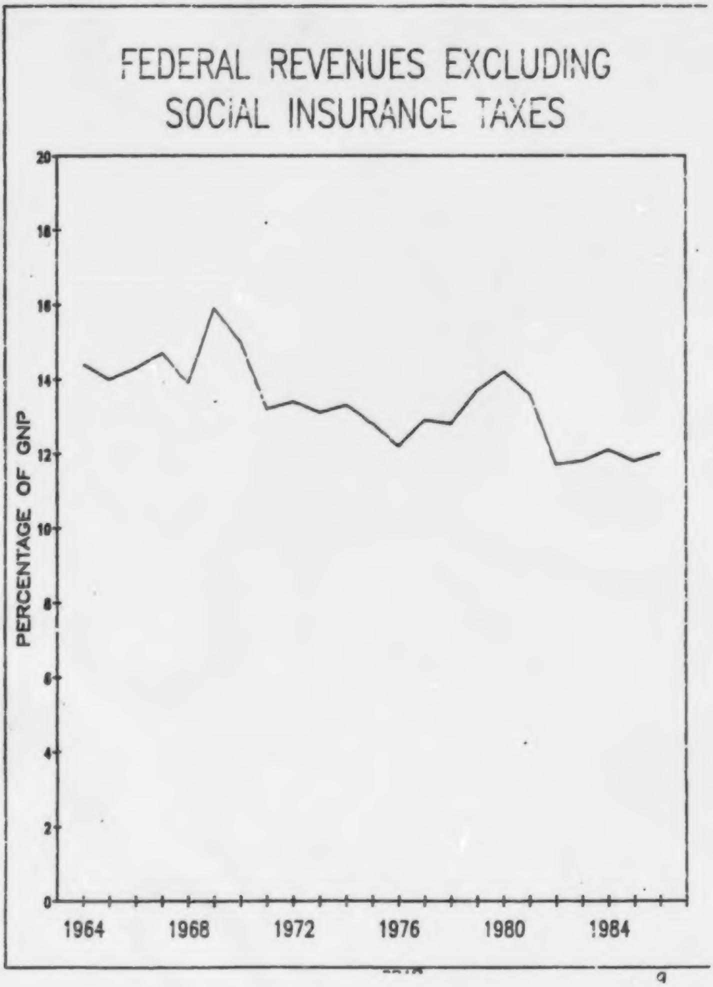
(3) A combination of the first two options.

We believe that the third option is the most certain path to restoring fiscal order. No one that I know of is advocating an increase in individual income tax rates. There are numerous methods of increasing revenues without raising individual income tax rates including changes in the revenue code which the Administration professes to support that would force individuals and corporations that are now not paying taxes to do so.

The Administration contends that the problem is outlays and not revenues. Outlays are a problem and have gone up, but as outlays have gone up general purpose revenues have declined. Revenues have dropped, as a portion of GNP, by 17 percent since 1981 and by nearly 26 percent since 1969.

The Administration has reported to Congress its view of the economy and its predictions for economic performance. In order to evaluate the conclusions reached by the Administration about present and future performance, it is necessary to put those numbers in historical perspective.

GRAPH D



FEDERAL REVENUES EXCLUDING SOCIAL INSURANCE TAXES

Growth

The Administration predicts an economic growth rate of 4 percent each year for the next five years. The fact is that from 1981 to 1985 GNP grew at a real rate of 2.3 percent. That compares to a 3.1 percent growth rate during the preceding five-year period and a 4.2 percent growth rate in the 1960's.

Last year's growth rate was 2.3 percent, and the fourth quarter growth rate was a dismal 1.2 percent. Yet, the Administration had predicted 3.9 percent growth for the entire year.

As Herbert Stein recently said, "The rise of total output over the five-year period from 1980 to 1985 was not exceptionally large. In fact, it was less than in any five-year period ending before 1980; that is, in the post-war period."

These numbers demonstrate a pattern of slow growth throughout the entire five-year period. There is little reason to conclude that we are going to have uninterrupted growth at a 4 percent annual growth rate for five consecutive years.

Productivity

The Administration predicted last year that productivity would grow by 1.7 percent. In fact, there was zero growth in productivity last year. The annual rate of gain in productivity has been a weak 1.3 percent since 1979, down from a weak 1.5 percent during the previous decade and 2.9 percent the decade before that.

It has been more than 20 years since this country has experienced productivity growth at the pace the Administration is now predicting. If productivity growth is on the upswing, we have yet to see any evidence.

Inflation

Here there have been significant gains, but they have come at a terrific price in terms of recession, lost jobs, and lost output -- all of which continue to plague the economy.

Moreover, the reduction in inflation is not being sufficiently reflected in lower interest rates. Interest rates have declined significantly from their 1981 peaks in nominal terms, but real interest rates are still 2 percent higher than their post-war average.

Savings

A crucial goal of supply-side economics was to increase the savings rate, yet personal savings rates for the last two quarters dropped to 2.9 percent, the lowest since 1950.

Jobs

The Administration prides itself for creating 10 million jobs since the recovery began in 1982. Yet, we lost 3.5 million jobs before the recovery began. The total of 6.5 million net new jobs created from 1981 to 1985 is half as many jobs as were created in the previous five years. The average number of jobs created per year from 1981 to 1984 was 1.3 million versus 2.8 million per year from 1976 to 1980. Job growth from 1981 to 1985 was the lowest in 20 years.

Trade and Current Account

The current account deficit for 1985 of about $125 billion is nearly twice as great a percentage of GNP as it has been in the country's 210 year history. Even during the 1870's railroad boom which we financed with a massive amount of foreign capital, the current account deficit was 2 percent of GNP as compared to a current figure of 3 percent.

Debt

Everyone is aware of what our government debt situation is, and I won't repeat it. But I do want to emphasize that there is a tremendous level of private debt hanging over our economy as well.

By the end of 1985, American corporations owed a total of $1.5 trillion, the highest in history. Corporate debt exceeds total net worth by 12 percent. Household debt has tripled in the past 10 years and grew at an annual rate of 21 percent in the first half of 1985 as compared to the previous trend rate of about 13 percent. The 1985 ratio of consumer debt to disposable income reached a record 18.9 percent.

Farmers have taken on $215 billion in debt since the 1970's and owe the Farm Credit System $67 billion, yet farm income continues to decline.

International debt for the U.S. is a new experience, yet we owe the rest of the world approximately $100 billion for 1985.

Inequality

There has been an increase in the inequality of income and opportunity over the last 10 years. According to the Census Bureau, the gap between the richest American families and the poorest families now stands at its highest since 1946 -- the year they began keeping these statistics. In addition, families in the middle of the income scale received 17 percent of the national income, their lowest share since 1947.

Family Income There are a lot of ways of measuring the performance of the economy, but the one that probably matters the most is what is happening to real family income. Several studies recently completed under the auspices of the JEC gave us a good deal of new information on that question. Since 1973 the typical middle-income family lost about 11 percent of their real income. Young people were particularly hard hit as were families with children.

A young man leaving home in the 1950's or 1960's could expect within 10 years to make 30 percent more than his father was making at the time the young man left home. But a young man today who left home 10 years ago will typically make 10 percent less than the income of his father when the young man left home.

The percentage of mothers of children who work increased dramatically. For those with children under the age of one it has almost doubled since 1975 to nearly 50 percent in 1985. Yet the total income of families with children has declined in real dollars for low-, middle-, and even upper-income families during that period. For all but the highest income families, the decline was most severe between 1979 and 1984.

We are a great Nation with vast resources and a willingness to work hard for ourselves, our children and our country. Even serious mistakes in fiscal policy won't change that, but we can do a lot better. Let's put aside our rhetoric, take an honest look at our problems and set forth in a practical way to solve them.

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BUDGET OUTLAYS BY JEC-REQUESTED CATEGORIES, 1980-1987
(Dollars in Billions)

	FY1980 Actual	FY1981 Actual	FY1982 Actual	FY1983 Actual	FY1984 Actual	FY1985 Actual	FY1986 Current Policy	FY1986 President's Budget	FY1987 Current Policy	FY1987 President's Budget
Total Outlays......................	576.70	657.20	728.35	795.95	841.82	946.30	986.70	979.95	1022.85	994.00
Total Revenues.....................	517.10	599.25	617.75	600.55	666.45	734.05	777.80	777.15	844.70	850.35
Defense and International Affairs*	145.15	166.65	194.20	218.30	239.40	269.35	286.70	283.15	300.20	301.85
Elderly/ Disabled..................	217.05	250.85	279.75	305.85	320.50	343.55	362.35	362.30	385.65	377.45
Net Interest.......................	52.50	68.75	85.00	89.75	111.05	129.45	137.70	142.75	144.10	148.00
Non-Elderly Poor...................	40.75	46.20	46.25	52.45	55.45	57.65	59.70	58.35	62.00	56.95
Remaining Programs.................	121.25	124.75	123.15	129.60	115.42	146.30	140.25	132.00	130.10	109.75

* Export-Import funding is excluded in all years.

Defense Breakdown for 1985 and beyond

050..	252.75	269.45	265.85	284.20	282.25
150..	16.20	17.10	17.15	14.90	18.60
Less Ex-Im.....................................	-0.40	-0.15	-0.15	-1.10	-1.00
	269.35	286.70	283.15	300.20	301.85

FUNDING FOR THE NON-ELDERLY POOR
Program Definitions Supplied by JEC Staff

(Outlays in Billions of Dollars)

	FY1980 Actual	FY1981 Actual	FY1982 Actual	FY1983 Actual	FY1984 Actual	FY1985 Actual	FY1986 Current Policy	FY1986 President's Budget	FY1987 Current Policy	FY1987 President's Budget
ENTITLEMENTS										
550 Medicaid (60%)................	8.40	9.55	9.90	10.85	11.40	13.60	14.65	14.80	15.85	14.80
600 Food Stamps (91%).............	8.30	10.25	10.00	11.50	11.40	11.40	11.50	11.40	11.90	11.25
600 AFDC..........................	7.30	7.75	7.55	7.85	8.35	8.65	9.10	9.05	9.50	8.20
500 Foster Care/Adoption Assistanc	0.25	0.35	0.30	0.40	0.50	0.55	0.55	0.60	0.60	0.60
500 Social Services...............	2.70	2.65	2.55	2.50	2.80	2.75	2.60	2.60	2.70	2.70
600 Child Nutrition...............	4.20	3.45	3.00	3.30	3.55	3.65	3.90	3.90	4.15	3.50
SUBTOTAL..................	31.15	34.00	33.30	36.40	38.00	40.60	42.30	42.35	44.70	41.05
DISCRETIONARY PROGRAMS										
750 Legal Services................	0.30	0.30	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.05
600 Low-Income Energy Assistance..	1.60	1.80	1.70	2.00	2.05	2.15	2.00	2.00	1.95	2.10
600 WIC/CSFP	0.70	0.95	0.95	2.25	2.40	1.55	1.60	1.60	1.65	1.65
550 Maternal and Child Health Care	0.45	0.45	0.35	0.50	0.40	0.50	0.45	0.45	0.50	0.50
550 Community Health Centers......	0.30	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40
550 Indian Health Services........	0.55	0.60	0.60	0.65	0.70	0.70	0.75	0.75	0.85	0.75
550 Migrant Health Services,......	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
600 Housing Assistance,...........	5.65	7.75	8.75	10.00	11.25	11.40	11.85	11.45	12.40	10.40
SUBTOTAL..................	9.60	12.20	12.95	16.05	17.45	17.05	17.40	17.00	18.10	15.90
TOTAL	40.75	46.20	46.25	52.45	55.45	57.65	59.70	59.35	62.80	56.95

FUNDING FOR THE ELDERLY AND DISABLED
Program Definitions Supplied by JEC Staff
(Outlays in Billions of Dollars)

	FY1980	FY1981	FY1982	FY1983	FY1984	FY1985	FY1986	FY1986	FY1987	FY1987
	Actual	Actual	Actual	Actual	Actual	Actual	Current Policy	President's Budget	Current Policy	President's Budget
370 Elderly & Handicapped Housing.	0.75	0.80	0.75	0.80	0.65	0.50	0.55	0.50	0.65	0.40
500 Older Americans..............	0.70	0.90	0.90	0.90	1.00	1.00	1.00	1.00	1.05	1.00
550 Medicaid (40%)................	5.60	6.35	6.60	7.20	7.60	9.05	9.80	9.90	10.60	9.90
570 Social Security and Medicare..	152.15	178.75	202.55	223.30	235.75	254.40	268.55	268.70	288.25	282.45
600 Railroad Retirement/Black Lung	6.60	5.45	5.55	5.60	5.45	5.60	5.60	5.35	5.70	5.45
600 Federal Employee Retirement...	26.35	31.30	34.35	36.50	38.05	38.60	41.30	41.40	43.30	42.45
600 Food Stamps(9%)...............	0.80	1.00	1.00	1.15	1.10	1.15	1.15	1.15	1.15	1.10
600 Supplemental Security Income..	6.40	6.45	6.85	7.90	7.65	9.60	10.20	10.15	10.40	10.50
700 Veterans Hospitals and Medical Care................	6.00	6.95	7.50	8.25	8.85	9.55	9.95	9.85	10.15	9.70
700 Veterans Compensation and Pensions......................	11.70	12.90	13.70	14.25	14.40	14.10	14.25	14.30	14.40	14.50
TOTAL..........................	217.05	250.85	279.75	305.85	320.50	343.55	362.35	362.30	385.65	377.45
Totals on Allocated Programs for 1985 and beyond										
Food Stamps						12.55	12.65	12.50	13.05	12.35
Medicaid						22.65	24.45	24.70	26.45	24.70
						1.13	1.14	1.13	1.17	1.11
Aggregations for 1985 and beyond										
Social Security						180.60	199.40	200.05	211.40	212.20
Medicare						65.80	69.15	68.65	76.85	70.25

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U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
NINETY NINTH CONGRESS
2129 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515

February 28, 1986

Honorable William H. Gray III
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This is the report of the Committee on Banking, Finance and Urban Affairs providing its views and estimates on the Federal budget for programs within its jurisdiction.

Sincerely,

Fernand J. St Germain
Chairman

FJStG:dPh
Attachment

VIEWS AND ESTIMATES ON THE

FEDERAL BUDGET

REPORT OF THE COMMITTEE ON BANKING,
FINANCE AND URBAN AFFAIRS
to
THE COMMITTEE ON THE BUDGET

FEBRUARY 28, 1986

INTRODUCTION

The President's FY 1987 budget has requested significant cuts in numerous programs under the jurisdiction of the Banking Committee. Many of these cuts, which would be achieved through curtailment or scaling back of existing programs, would have a dramatic impact on federal activities that have proven to be effective over the years. In general, the Committee will need to look very closely indeed at the President's proposals to insure that any changes that are made in response to budgetary constraints do not adversely affect the quality of services provided to the American people. Further, the Committee will consider some important new initiatives aimed at improving the level of support for those who are affected most directly by the Administration's economic policies.

A summary of the Committee's views on the issues which are expected to come before the Committee this year follows.

HOUSING AND COMMUNITY DEVELOPMENT

The Administration's budget proposals entail continued devastating cuts for the federally assisted housing programs administered by the Department of Housing and Urban Development, termination of the rural housing programs administered by the Farmers Home Administration, termination of the Urban Development Action Grant program, and large reductions in the Community Development Block Grant program.

It can be stated that a majority of the Members of this Committee reject out-of-hand the Administration's budget proposals to decimate the HUD federally assisted housing programs, to fund Section 8 vouchers from funds deferred from FY 1986, and to eliminate funds for the construction of additional public housing units, for the Section 202 elderly and handicapped housing program, or for the Section 8 existing program. The Committee rejects the Administration's efforts to assess user fees on the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and to increase fees charged by the Government National Mortgage Association, as well as an increase in the FHA mortgage premiums. The Committee also rejects the Administration's proposal to terminate the Urban Development Action Grant program, and rejects the efforts to cut the Community Development Block Grant program.

As to specific budget authority levels, the Banking Committee recommends the levels contained in the CBO baseline should be provided, with the following exceptions:

Function 450 - An increase of $500 million from the CBO baseline of $2.635 billion in budget authority will be needed to accommodate the $3.135 billion program level for the CDBG program assumed in the CBO baseline. In calculating the baseline, CBO assumed Congress would acquiesce in the President's proposal to defer $500 million in CDBG funds from FY 1986 to FY 1987. This Committee adamantly opposes the $500 million deferral proposed by the President, and the deferral is highly likely to be rejected by Congress. Given the elimination of other programs that address community development needs and the requirement that at least 51 percent of CDBG funds be targetted to help low income families, it is crucial that a $3.135 billion program level be sustained in FY 1987. In addition, any reduction from the CBO baseline level for this account would severely damage the UDAG program, which has been a critically important tool for the economic and commercial revitalization of many communities.

Function 600 - The Banking Committee recommends an increase in budget authority of $300 million above the CBO baseline. A majority of the Members of the Housing and Community Development Subcommittee continue to believe that the levels of assisted housing funds provided for the past three years are at an appallingly low level and that the President's proposal to defer or rescind approximately $6.7 billion in budget authority for HUD's programs and $700 million in loan authority for the FmHA programs in FY 1986 are unconscionable.

Many Members of the Committee believe the assisted housing funds should be increased slightly above the CBO baseline in order to meet the terrible housing conditions that many low income people are facing throughout the country today. The nationwide problem of homelessness, which the Housing Subcommittee has been deeply involved in reviewing, demands of this Committee and the Congress a substantial effort to increase the availability of housing for people who are living on the margins of our society.

The waiting lists for assisted housing are on average two years long, the inventory of public housing needing substantial rehabilitation is growing, and the number of homeless on our streets is increasing. A modest increase of $300 million above the CBO baseline will be needed in order to accommodate Banking Committee initiatives to create Emergency Shelter Grants, public housing child care grants, the Nehemiah homeownership program, and an extension of the Congregate Services program.

Given the financial distress that is burdening many rural farm families, the Committee is appalled at the Administration's proposal to eliminate the housing programs of the Farmers Home Administration, which are substantially targetted to very low income families, and recommends the CBO baseline levels for these programs.

EXPORT-IMPORT BANK

The Committee recommends that the Export-Import Bank be accorded budget authority consistent with a direct loan ceiling of $1.8 billion for FY 1987. The Administration has requested $1.8 billion for its so-called I-Match program, which is designed to replace Eximbank direct loans. This proposal remains controversial, however, and it is, at present, uncertain whether the Congress will authorize I-Match. In light of that uncertainty, the Budget Committee should assume the direct loan program will remain in place, and allocate budget authority to the Eximbank to cover the $1.8 billion demand for Exim loans projected by the Administration.

The Congressional Budget Office estimates that a $1.8 billion direct loan ceiling would actually entail negative net outlays, in FY 1987, of about $680 million. That is, Exim will enjoy net receipts of that amount, which will reduce the overall federal budget deficit.

In addition, the Budget Committee should provide budget authority to accommodate the $300 million mixed credits "war chest" the Banking Committee has authorized, for FY 1987, in H.R. 3667.

MULTILATERAL DEVELOPMENT BANKS

The President's budget for the multilateral development banks provides for continuing U.S. payments under several ongoing replenishments and capital increases. However, the President does not make provision for continued U.S. participation in the Special Facility for Sub-Saharan Africa, although such a contribution was authorized by the Congress.

It is important to note that while the President does provide for U.S. contributions to the MDBs consistent with the international commitments made by the United States for such payments, it is in the context of substantial reductions to the concessional lending windows of these institutions negotiated by the Reagan Administration over the last five years. This is particularly true with regard to the International Development Association and the Inter-American Bank's Fund for Special Operations.

The Committee also believes that, given the severe conditions continuing to inflict hardship on the people of Sub-Saharan Africa, continued U.S. participation in the Special Facility for Sub-Saharan Africa is both desirable and necessary.

U.S. participation in these replenishments and capital increases specifically includes continuing U.S. payments to the African Development Bank and Fund, Asian Development Bank and Fund, Inter-American Development Bank, Fund for Special Operations and Inter-American Investment Corporation, and the International Bank for Reconstruction and Development, International Development Association, and International Finance Corporation. In addition, the President has requested favorable Congressional consideration of U.S. participation in a new multilateral entity -- the Multilateral Insurance Guarantee Agency (MIGA) -- to be administered by the World Bank. The Committee has taken no action to date on the MIGA proposal.

The budget authority and outlay discrepancies that result from comparison of the President's budget request and the CBO Current Services Baseline are substantial. The President's budget is below the CBO Baseline in both budget authority and outlays. Most of the discrepancy is based on CBO's assumption that arrearages resulting from past shortfalls in the U.S. contribution to the MDBs will be restored in FY 1987. In addition, the Administration provides for a U.S. contribution to the Multilateral Insurance Guarantee Agency while CBO does not, and CBO's baseline provides for continued U.S. participation in the Special Facility for Sub-Saharan Africa while the President's budget does not.

It should be understood that budgetary savings available from reductions in FY 1987 budget authority provided for the multilateral development banks are limited. While FY 87 budget authority ranges from $1.39 billion requested by the President to $1.7 billion under CBO's Current Services Baseline, actual outlays resulting from FY 87 budget authority are relatively small.

Outlays resulting from the President's budget submission will total only $152 million in FY 1987. This large differential between budget authority and outlays in a given year is due to the slow spend-out rate of most MDB accounts. For example, while budget authority requested by the President for IDA VII is $750 million, outlays resulting from that FY 1987 budget authority will total only $40.5 million.

This situation implies that even very substantial reductions in budget authority within the MDB accounts would result in exceedingly modest outlay savings, while coming at a cost of further dramatic reduction in U.S. contributions to these international institutions. At a period in history when these institutions are being called upon to play a pivotal role in the development process and the world economy, notably in helping to address the international debt crisis, the Committee believes that reductions of such a magnitude would be highly questionable and short-sighted, and would in fact do little to alleviate the deficit problem which we all recognize as serious.

DEFENSE PRODUCTION ACT

Defense Production Act (DPA) authorities are used to increase the capability of industry and infrastructure systems in cases where the free market cannot reasonably be expected to provide the required national security capability in a timely manner. DPA funds will be used for the purchase of or commitments to purchase metals, minerals, or other materials required by the Department of Defense. The resulting contracts will provide for both the acquisition of specific commodities, metals, minerals or other materials required as part of military weapons systems and the creation of new or increased domestic industrial capacity to produce specific strategic materials. This new or expanded capacity adds to the viability of the defense industrial base, permits the implementation of the Five Year Defense Program and increases the deterrent capability represented by a responsive domestic industry uninhibited by reliance on foreign sources of supply for essential materials and products.

The Department of Defense will establish priorities among programs and must send a communication to Congress justifying how the materials they select meet the specific criteria established in the 1984 DPA amendments.

Program	Pres. Jan.	CBO Baseline	Committee Estimate
Purchases	BA$ 30,000	$ 31,000	$31,000
	OT 5,400	31,000	31,000
Guarantees	BA$ 6,000	6,000	6,000
	OT 6,000	6,000	6,000
Econ & Stat. Analysis - Dept. of Commerce	BA$ 31,005	30,000	30,000
	OT 30,814	29,000	29,000

COUNCIL OF ECONOMIC ADVISORS (EMPLOYMENT ACT OF 1946)

Program	Pres. Jan.	CBO Baseline	Committee Estimate
Empl Act of 1946	BA$ 2,346	$ 2,000	$ 2,000
	OT 2,259	2,000	2,000

PUBLIC WORKS AND ECONOMIC DEVELOPMENT

ECONOMIC DEVELOPMENT ADMINISTRATION

President's Budget Proposal

The President's budget recommendations call for the termination of the Economic Development Administration. No funds are proposed for the economic development assistance programs. In addition, the President requests the complete disposition of the remaining appropriations for fiscal year 1986.

A total of $209.5 million was appropriated to carry out the Economic Development Act for fiscal year 1986. $26 million of the amount was allocated for salaries and expenses. The appropriation represents a reduction in funding below the amount of funds available for fiscal year 1985.

Currently the EDA has obligated $34.3 million of its economic development assistance program funds. Of the remaining funds, the President has proposed and requested a rescission of $109.2 million and a deferral of $40 million to be used to support closeout costs for the agency. $7.891 million of the amount withheld for rescission is sequestered pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman). Therefore, the current proposed rescission is $101.309 million. This accounts for all program funds for fiscal year 1986.

Analysis

EDA programs, which would be eliminated by the President's proposal, were used to fund the following in FY 85:

- Public works and development grants to construct public facilities such as water and sewer systems, access roads, port facilities, etc., $130 million for 219 projects;

- Planning grants for development of long-term strategies for stimulating private enterprise and creating jobs, $26.8 million for 501 projects;

- Technical assistance programs, to provide information and expertise to implement specific projects, 151 projects for $8.8 million (including transfers in from other agencies);

- Economic Adjustment Assistance grants to help state and local areas develop strategies to overcome sudden and severe dislocations and long-term economic deterioration, approximately $33 million for 76 projects; and

- Research and Evaluation programs to enhance basic knowledge of economic problems leading to a variety of solutions, $8.9 million for 27 projects, which includes $7 million for 2 demonstration projects.

In 1981, the Committee undertook an extensive overview and assessment of EDA and its programs. Based on these findings, the enabling legislation was completely revised to address criticisms made about the program. This legislation, which authorized funds to continue EDA and its programs, overwhelmingly passed the House in the 97th, 98th and again in the 99th Congresses.

Although the Administration is requesting termination of the agency for the 6th consecutive year, the House has consistently supported its continuation. Last year, HR 10, which revises and extends the Economic Development Act, was reported by our Committee and passed the House on September 4, 1985, by a vote of 260 to 96. This legislation places greater emphasis on the private sector, gives more responsibility to state and local governments, and establishes a working private/public partnership to create jobs and expand commerce.

APPALACHIAN REGIONAL DEVELOPMENT

President's Budget Proposal

The President has proposed termination of the Appalachian Regional Commission program for FY 1987 and requests a rescission of $81 million of funds appropriated for FY 86 ($59.4 million in highway program funds and $21.6 million in non-highway program funds). This represents the remaining unobligated amount of the $122.2 million appropriated for FY 86. The 1986 appropriation is about 20% below the amount that was available for FY 85.

Analysis

In 1981, the Committee undertook an evaluation of the Appalachian Regional Development program. In 1982, at the request of Congress, the Appalachian Governors proposed a finish-up program at reduced levels of funding. The program includes projects in more than 60 of the region's poorest counties to provide basic services such as drinking water and solid waste disposal, to provide vocational training, and to create jobs. The finish-up plan also includes programs to stimulate regional private investment, job retention and creation, and to complete only essential segments of the Appalachian Regional Highway System.

Termination of the Appalachian Regional Commission and rescission of FY 86 appropriated funds would eliminate ARC funding for work on the 585 miles remaining of the 2447 miles included in the revised plan for development highways; new area development programs for jobs and private investment, and for basic services to distressed counties; and Local Development

Districts to obtain alternate sources of funds and for technical assistance.

Title II of HR 10, the National Development Investment Act, passed by the House last September provides for an orderly phaseout of the Appalachian Commission as proposed by the Appalachian Governors.

Energy Security Act (Synthetic Fuels Corporation)

The Energy Security Reserve was created principally to finance the activities of the U.S. Synthetic Fuels Corporation. Public Law 99-190, making continuing appropriations for 1986, rescinded the balance of unobligated funds available to the Corporation. The Act left $10 million in the Reserve for the Corporation's liquidation and $400 million for a Clean Coal Technology Demonstration program, which is being transferred to a new account in the Department of Energy.

Program		Pres. Jan.	CBO Baseline	Committee Estimate
SFC	BA $	0	0	0
	OT	0	0	0

NEW LEGISLATIVE INITIATIVES

The Committee anticipates enactment during FY 1986 of legislative initiatives designed to enable United States industry to meet the challenges which the increasingly competitive global economic environment poses for our domestic economy. A vast array of Government policies currently grant assistance to industry. But these policies are developed on an uncoordinated, "ad hoc" basis. As a result, they are not improving the international competitiveness of our industries, and their cost to the American public outweighs their benefit in terms of jobs, improved living standards, and a growing economy. The Committee believes that mechanisms must be put in place which will permit the public and private sectors to develop a consensus regarding a set of microeconomic "industrial strategies" which, by complementing a stable and effective macroeconomic policy, will enable the United States to realize its societal goals of full employment, price stability, and balanced economic growth.

1. INDUSTRIAL COMPETITIVENESS ACT

(a) The Act would establish a Council on Industrial Competitiveness which would (1) review and evaluate existing Government policies and programs, and private sector policies and practices, with respect to their impact on the competitiveness of industrial sectors; and (2) make recommendations for changing, and for coordinating and integrating, such policies, practices and programs, with respect to industrial sectors, in order to improve the competitiveness of such sectors. FY 87 budget authorities and outlays would be expected to be $25 million.

(b) The Act would establish a Federal Industrial Mortgage Association to operate a secondary market for industrial mortgages in order to make available to small and medium-sized industrial firms long-term "patient" capital for financing productive industrial facilities and equipment. FY 1987 budget authorities and outlays for this program are estimated at $100 million.

2. NATIONAL CENTER ON PRODUCTIVITY

This Act would establish a National Center on Productivity to promote productivity in the private and public sectors and to implement the proposals of the 1982 White House Conference on Productivity. FY 87 budget authority and outlays are estimated at $10 million.

3. COST ACCOUNTING STANDARDS BOARD (DEFENSE PRODUCTION ACT)

The Committee expects to enact legislation which will reactivate the authorities of the Cost Accounting Standards Board contained in section 719 of the Defense Production Act of 1950. FY 1987 budget authority and outlays are estimated at $650 thousand.

BUREAU OF THE MINT

Salaries and Expenses

The President's budget requests $47,808,000 for necessary expenses of the Bureau of the Mint. These funds are used to manufacture and disburse coins, process deposits of gold and silver bullion for exchange and settlement of international balances, and safeguard the United States' holdings of gold and silver.

The authorization of the Bureau of the Mint expired September 30, 1983. The Mint is operating in FY 1986 under funds provided under Public Law 99-190. To date, the President has not requested the necessary authorizing legislation for further appropriations for the Bureau of the Mint. The Committee is unable to estimate at what levels it will authorize the operations of the Mint until it receives the authorization request.

FINANCIAL MANAGEMENT SERVICE, DEPARTMENT OF THE TREASURY

The Committee has jurisdiction over parts of subfunction 803 of function 800 and all of subfunction 908 and 999 of function 900 of the Department of the Treasury.

Subfunction 803 of function 800 relates to the Financial Management Service Department of the Treasury (formerly known as the Bureau of Government Financial Operations) and includes such matters as disbursements and claims, government-wide accounting, banking and cash management, Federal Reserve Bank operations, the tax and loan investment program, and general financial services. Essentially, payments for federal civilian agencies, the adjudication and settlement of claims against the United States resulting from government checks which have been lost, forged, stolen, destroyed, or mutilated, the maintenance of a system of central accounting and reporting of United States monetary assets and liabilities, the management of cash resources of the United States, the reimbursement of Federal Reserve Banks for maintenance of Treasury tax and loan accounts and other services provided by the Federal Reserve to the Treasury, and financial services for accounts such as the Social Security Trust Funds, the Unemployment Trust Fund, D.C. Government Loan Fund, and 30 other similar small funds, are included in this function. These are all purely ministerial actions of the Treasury.

It should be noted that the Administration will propose legislation that will end the current policy of reimbursing Federal Reserve Banks for most fiscal agency services in processing marketable and special securities for the Department of the Treasury. The Administration believes that this change would end the indirect subsidization of debt issues and save upwards of $19,750,000. The proposed savings are included in this year's budget. While the Federal Reserve is believed to be presently opposed to the proposal, the savings are not reversed in this transmittal, inasmuch as the amounts are relatively small and should be capable of absorption by the Federal Reserve without any undue impact even if it is not passed onto the users of the fiscal agency services. If the costs are not recovered from users, there would be, however, a diminution of the amount of funds returned to the Treasury. If the Treasury is required to continue reimbursements, some offset may be achieved from the other savings proposed by the Subcommittee.

Subfunction 908 of function 900 relates to interest on uninvested funds which, under conditions of the law creating each trust, interest accruing and payable from the general fund of the Treasury, is appropriated for payment to the proper fund receipt accounts. Such trusts include the Library of Congress trust fund, the National Gallery of Art trust fund, the Soldiers' Home permanent fund, the Indian Tribal funds, the Immigration bonds deposit fund, and others. These are, as noted, established by law and would not, under terms of the trusts, be generally subject to revision. This subfunction also includes a category to restore foregone interest, a special situation which occurred in late 1984 and 1985 when several federal accounts did not earn interest which they would normally have earned had it not been for the debt limitation ceiling. This category will restore the interest income to the affected accounts for the time when it was lost.

Subfunction 999 of function 900 relates to miscellaneous trust funds administered by the Treasury. These are all purely ministerial actions of the Treasury.

The subjects of subfunction 803 represent activities which could be subject to certain increases in efficiencies which would result in substantial savings to the government. These are outlined below:

(1) Increase the use of direct deposits. While the number of direct deposits of government checks is increasing, there is continued resistance to it, and thus a considerable cost to the government of processing individual checks. As an incentive for individuals to have government checks directly deposited with a depository institution, a portion of the savings to the government of such direct deposit could be passed on to those individuals who have direct deposits. In addition, a fee would be deducted from large government checks, say those over $1000, which are not direct deposited. The former would increase the benefits to the recipients without costing the government additional monies, while the latter would not reduce the amount of checks of the poor and needy. Such a plan would not hurt recipients of government

checks, while allowing the Treasury Department to more effectively manage its balances and reduce its costs.

(2) Institute a cut-off time to "stale-dated" government checks. Such a procedure would allow the Treasury to free up a considerable amount of the cash balances which are currently held to pay the checks which are outstanding -- for up to 6-1/2 years. A 6-month period, similar to that in the Uniform Commercial Code, would be sufficient. Anyone presenting a government check over 6 months old would be required to obtain a new check. The cut-off would not extinguish the claim; it would merely allow the Treasury to better control balances needed for payment and it should also diminish claims for lost, stolen, and forged checks.

(3) Institute a monthly payment system for all government employees, both civilian and military. Currently the Treasury sends out social security checks on a monthly basis and certain other government employees are paid on this basis as well. Paying all government employees on a monthly basis should save a considerable amount of paperwork in the Treasury, time, printing, and thus expense. If done in conjunction with increased direct deposits as suggested earlier, funds would be readily available to all recipients on a timely basis. Monthly payments should be staggered to avoid congestion for depository institutions and the check-clearing network, and to maximize the use of the

processing equipment. For those who would have difficulty budgeting on a monthly basis, generally the less well-paid persons, special consideration might be given to phasing in such a program. One way would be to initially direct that only those with incomes above a certain level be initially subjected to the monthly payment system. Savings would also accrue to the participating agencies since their payroll preparation efforts would be decreased.

(4) Institute a cut-off time for claims of payment on lost or missing government checks. Currently the Treasury has no time limit for any person to claim that they did not receive a government check. While this could effectively extinguish the claim of a recipient, it ought not to be a burden to those who receive regular salary or benefit checks and it would not extinguish the claim of those who receive but do not cash or deposit their checks, especially if instituted in conjunction with an increased direct deposit program. It would, however, eliminate multiple payments and the demands on the Check Forgery Insurance Fund. This policy would also tend to encourage the use of direct deposits, thereby eliminating potential complaints from claims extinguishment. Appropriate discretionary authority could be provided to handle special hardships which might otherwise result from such a policy.

NINETY NINTH CONGRESS

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U.S. House of Representatives
Committee on the District of Columbia
ESTABLISHED 27 JANUARY 1808
Room 1310, Longworth House Office Building
Washington, DC 20515

February 25, 1986

The Honorable William H. Gray, III
Chair, Committee on the Budget
A214 House Office Building Annex #1
Washington, D.C. 20515

Dear Mr. ~~Chairman~~: Bill

The Committee on the District of Columbia makes the following recommendations on budget items in the President's budget proposal for FY 87:

Federal Payment to the District - The President recommends $444 million as the annual payment. The Committee agrees.

Other portions of the "Federal Payment" category are also normal - the $35 million for establishing and maintaining a comprehensive mental health system (added in P.L. 98-621); $28 million for Federal water and sewer services; and $52 million as the Federal contribution toward the 1975 unfunded liability of the retirement system of D.C. police, firefighters, teachers and judges, approved by Congress in 1979.

METRO-Rail Construction - The President's recommendation that the Metro rail Stark-Harris construction funds be cut to zero is a grave mistake. The subway system is designed to serve the rush hour needs of the Federal Government to get its employees from their homes to their jobs. Failure to complete the subway system would mean a vastly more expensive program of alternatives - freeways, bridges, enormous parking garages, and the street congestion that would result. For Metro, started in 1963, to be called a New Start is a mistake.

The President's budget also includes the normal payment of $52 million authorized by P.L. 96-184 for debt service of the construction bonds issued early in WMATA's history.

Phaseout of Federal Share in St. Elizabeths Hospital - The budget authority of $35 million recommended by the President is the amount authorized in P.L. 98-621.

National Capital Planning Commission - The NCPC budget of $2.6 million is appropriate.

Sincerely,

Ron

RONALD V. DELLUMS
Chairman